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ABSTRACT

These Congressional hearings contain testimony on five bills that are designed to provide employment opportunities to long-term unemployment individuals in high unemployment areas through projects to repair and renovate vitally needed community facilities. Included among those agencies and organizations represented at the hearings were the following: the Children's Defense Fund; Manpower Demonstration Research Corporation; the Division of School Buildings of the New York City Board of Education; Dade County Public Schools in Miami, Florida; the American Federation of Labor-Congress of Industrial Organizations; the Cherokee Indians; the Associated General Contractors of America; the Center for Policy Studies; the New York City Department of Employment; the United Electrical, Radio, and Machine Workers of America; the Bureau of Social Science Research; Jobs in Energy; the National Association of Counties; and the Philadelphia Unemployment Project. The texts of each of the five bills are also included in this volume. (MN)

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HEARINGS ON JOB CREATION PROPOSALS

ED237767

HEARINGS

BEFORE THE

SUBCOMMITTEE ON
EMPLOYMENT OPPORTUNITIES

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-EIGHTH CONGRESS

FIRST SESSION

ON

H.R. 116, H.R. 777, H.R. 1036, H.R. 1046, and H.R. 1060

TO PROVIDE EMPLOYMENT OPPORTUNITIES TO LONG-TERM UNEMPLOYMENT INDIVIDUALS IN HIGH UNEMPLOYMENT AREAS IN PROJECTS TO REPAIR AND RENOVATE VITALLY NEEDED COMMUNITY FACILITIES, AND FOR OTHER PURPOSES

HEARINGS HELD IN NEW YORK, N.Y., ON FEBRUARY 28; WASHINGTON, D.C., MARCH 3, 7, and 17, 1983

Printed for the use of the Committee on Education and Labor

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HEARINGS ON JOB CREATION PROPOSALS

MONDAY, FEBRUARY 28, 1983

House of Representatives,
Subcommittee on Employment Opportunities,
Committee on Education and Labor,
New York, N.Y.

The subcommittee met, pursuant to call, at 12 noon, in room 305-C, Federal Building, 26 Federal Plaza, New York, N.Y., Hon. Augustus F. Hawkins (chairman of the subcommittee) presiding.

Present: Representatives Hawkins, Biaggi, Simon, and Martinez.

Staff present: Susan Grayson McGuire, staff director; Carole Schanzer, deputy staff director; and Bruce Wood, minority counsel for labor.

Mr. Hawkins. The Subcommittee on Employment Opportunities of the Education and Labor Committee, is called to order.

The hearing today in the city of New York coincides with a site visit this morning on the disrepair of community facilities in the city, and this afternoon, the hearing focuses on the question of job creation.

All the job creation bills before the subcommittee will be the basis of the hearing this afternoon. Congressman Biaggi will be present shortly. He was detained because of a dedication ceremony in his district and because of that slight delay we feel that we should proceed.

May the Chair announce that all the prepared testimony of the witnesses will be entered in the record in their entirety. This would leave the witnesses an opportunity to summarize or to give us the highlights and then respond to questions. We leave that matter up to the individual witnesses, but we would hope that they will confine themselves as much as possible to the highlights of the testimony and submit their prepared statements for the record.

We are very pleased to be in New York today. We feel that the site visit this morning did indicate that the subject of job creation through the repair and maintenance of community facilities certainly presents to us this afternoon an opportunity to hear it firsthand from the witnesses' additional testimony on that subject.

[Text of H.R. 116, H.R. 777, H.R. 1036, H.R. 1046, and H.R. 1060 follow:]

I

98TH CONGRESS
1ST SESSION

H. R. 116

To establish a program to provide funds to States for the purpose of job opportunities and business stimulation, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 3, 1983

Mrs. MARTIN of Illinois introduced the following bill; which was referred to the Committee on Education and Labor

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A BILL

To establish a program to provide funds to States for the purpose of job opportunities and business stimulation, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Job Opportunity and Business Stimulation Act".

SEC. 2. DEFINITIONS.

For the purposes of this Act—

(1) the term "Secretary" means the Secretary of Labor;

★

(2) the term "State" means the several States and the District of Columbia, and for purposes of sections 7 through 11 includes Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Northern Mariana Islands;

(3) the term "unit of local government" means a county, township, city, or political subdivision thereof, that is a unit of general local government as determined by the Bureau of the Census for general statistical purposes;

(4) the term "total wages and salaries" for any State or the United States for any period are the total wages and salaries received during such period as determined by the Secretary of Commerce for the purpose of computing the gross national product;

(5) population shall be determined in the manner required by section 6713(b) of title 31, United State Code;

(6) the number of unemployed individuals and the unemployment rate in an area shall be determined in accordance with criteria used by the Bureau of Labor Statistics of the Department of Labor in defining individuals as unemployed;

(7) the term "income growth factor" for a State or the United States means a number equal to the per-

cent (rounded to the nearest tenth of a percent) by which (A) the total wages and salaries for the State or the United States for the most recently completed twelve-month period for which satisfactory data are available, exceeds (B) the average of the total wages and salaries for the State or the United States for calendar year 1969 and calendar year 1970;

(8) the term "county area revenue sharing amount" means the sum of the amounts paid to units of local government in the county area during the most recently completed entitlement period under the State and Local Fiscal Assistance Act of 1972 or chapter 67 of title 31, United States Code;

(9) the term "county area" means the geographical area of a county, except that—

(A) in a State in which another unit of local government is the next level of general government below the State government, the geographic area of that unit is a county area, but

(B) clause (A) does not apply in any State in which a county area exists but is not governed by a county government.

SEC. 3. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated $3,000,000,000 for each of the fiscal years 1983 and 1984 to make payments in accordance with the provisions of this Act.

SEC. 4. ALLOCATION OF APPROPRIATIONS.

(a) From the amount appropriated pursuant to section 3, the Secretary shall reserve one percent for allocation to Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Northern Mariana Islands on the basis of population.

(b) Of the amount remaining from any amount so appropriated—

(1) one-third shall be allocated among the States in accordance with subsection (c); and

(2) two-thirds shall be allocated among the States in accordance with subsection (d).

(c) The Secretary shall allocate to each State an amount which bears the same ratio to the amount available for allocation under this subsection as the population of such State bears to the population of all the States.

(d)(1) The Secretary shall allocate to each eligible State an amount which bears the same ratio to the amount available for allocation under this subsection as the relative economic indicator for such State bears to the sum of the relative economic indicators of all eligible States.

(2) For purposes of this subsection, an eligible State is any State whose income growth factor is less than the income growth factor for the United States.

(3) For any eligible State the relative economic indicator is a number equal to the product of—

(A) the population of such State, multiplied by

(B) the difference resulting from subtracting from the number one the quotient of—

(i) the income growth factor of such eligible State, divided by

(ii) the income growth factor of the United States.

SEC. 5. PAYMENTS.

(a) The Secretary shall pay to Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Northern Mariana Islands the amount allocated thereto under section 4(a).

(b) The Secretary shall pay to each State the sum of the amounts allocated to such State under subsections (c) and (d) of section 4.

SEC. 6. RESTRICTIONS ON EXPENDITURES.

(a) Any amount paid to any State pursuant to section 5(b) shall be made available to the Governor of such State for uses authorized in section 7 that the Governor determines will contribute most to the creation of jobs for the unemployed. In expending these amounts, the Governor shall ensure that at least one-half of such expenditures are distributed geographically within the State in a manner such that no expenditures for uses within any county area will be less than 95 percent of the eligible amount of such county area, except that no amount is required by this subsection to be expended in a county area if the eligible amount for expenditure within such county area is less than one percent of the sum of the eligible amounts for expenditure for all the county areas in such State.

(b)(1) For the purpose of subsection (a), the eligible amount for expenditure within any county area is an amount which bears the same ratio to one-half the amount paid the State pursuant to section 5(b) as the product of (A) the county area unemployment factor, multiplied by (B) the county area revenue sharing amount, bears to the sum of such products for all the county areas in such State.

(2) For purposes of paragraph (1), the county area unemployment factor is equal to the unemployment rate in such county area for the most recent twelve month period divided by the unemployment rate of the State (within which the county area is located) for the same period, except that in the case of—

(A) any county area within which the unemployment rate for such perod is less than the unemployment rate in such State for such period, or

(B) any county area within which the per capita income is equal to or greater than 140 percent of the per capital income in such State,

the county area unemployment factor for such county area shall be zero.

(c) In determining the methods by which funds will be allocated in accordance with subsection (a) of this section and used in accordance with section 7, the Governor shall—

(1) consult with the State job training coordinating council established pursuant to section 122 of the Job Training Partnership Act;

(2) provide for the conduct of public hearings to solicit comment from the public concerning possible uses of such funds; and

(3) prepare and generally publish a plan of expenditure clearly indicating—

(A) the expenditures proposed, separately identified by county area;

(B) the means by which expenditures can be expected to increase jobs for the unemployed and the reasons that uses of funds have been chosen over other uses authorized in section 7; and

(C) the specific objectives of, and the identity of the persons and organizations responsible for administering, the proposed expenditures.

SEC. 7. USE OF FUNDS.

(a) Funds made available under this Act may, subject to the other provisions of this section, be used for any program, project, or activity the principle purpose of which is to increase the number of jobs available within the area served.

(b) Funds provided under this Act shall only be used for activities which are in addition to those which would otherwise be available in the area in the absence of such funds.

(c) Training of dislocated workers with funds made available under this Act shall be only by means of programs and projects which are established in accordance with the Job Training Partnership Act.

(d) Funds provided under this Act shall not be used to duplicate facilities or services available in the area (with or without reimbursement) from Federal, State, or local sources.

(e)(1) Conditions of employment and training with funds made available under this Act shall be appropriate and reasonable in light of such factors as the type of work, geographical region, and proficiency of the participant.

(2) Health and safety standards established under State and Federal law, otherwise applicable to working conditions of employees, shall be equally applicable to working conditions of participants. With respect to any participant in a program conducted under this Act who is engaged in activities which are not covered by health and safety standards under the Occupational Safety and Health Act of 1970, the

Secretary shall prescribe, by regulation, such standards as may be necessary to protect the health and safety of such participants.

(3) To the extent that a State workers' compensation law is applicable, workers' compensation benefits in accordance with such law shall be available with respect to injuries suffered by participants. To the extent that such law is not applicable, each State receiving funds under this Act shall require insurance coverage for injuries suffered by such participants, in accordance with regulations prescribed by the Secretary.

(4) Each individual employed in a job subsidized with funds made available under this Act shall be provided benefits and working conditions at the same level and to the same extent as other employees working a similar length of time and doing the same type of work.

(5) No funds available under this Act may be used for contributions on behalf of any participant to retirement systems or plans.

(f)(1) No currently employed worker shall be displaced by any participant (including partial displacement such as a reduction in the hours of nonovertime work, wages, or employment benefits) by participants in programs funded under this Act.

(2) No program funded under this Act shall impair existing contracts for services or collective bargaining agreements, except that no program under this Act which would be inconsistent with the terms of a collective bargaining agreement shall be undertaken without the written concurrence of the labor organization and employer concerned.

(3) No participant in programs funded under this Act shall be employed or job opening filled (A) when any other individual is on layoff from the same or any substantially equivalent job, or (B) when the employer has terminated the employment of any regular employee or otherwise reduced its workforce with the intention of filling the vacancy so created by hiring a participant whose wages are subsidized under this Act.

(4) No jobs shall be created in a promotional line that will infringe in any way upon the promotional opportunities of currently employed individuals.

(g)(1) Each State receiving funds under this Act shall provide to the Secretary assurances that none of such funds will be used to assist, promote, or deter union organizing.

(2) Where a labor organization represents a substantial number of employees who are engaged in similar work or training in the same area as that proposed to be funded under this Act, an opportunity shall be provided for such organization to submit comments with respect to such proposal.

(h) All laborers and mechanics employed by contractors or subcontractors in any construction, alteration, or repair, including painting and decorating, of projects, buildings, and works which are federally assisted under this Act, shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary in accordance with the Act of March 3, 1921 (40 U.S.C. 276a–276a–5), popularly known as the Davis-Bacon Act. The Secretary shall have, with respect to such labor standards, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267) and section 2 of the Act of June 1, 1934, as amended (48 Stat. 948, as amended; 40 U.S.C. 276(c)). The provisions of this subsection shall not apply to a bona fide trainee in a training program under this Act. The provisions of section 167(a)(4) shall apply to such trainees.

SEC. 8. MONITORING.

(a) The Secretary is authorized to monitor all recipients of financial assistance under this Act to determine whether they are complying with the provisions of this Act and the regulations issued under this Act.

(b) The Secretary may investigate any matter the Secretary deems necessary to determine compliance with this Act and regulations issued under this Act. The investigations authorized by this subsection may include examining records (including making certified copies thereof), questioning employees, and entering any premises or onto any site in which any part of a program of a recipient is conducted or in which any of the records of the recipient are kept.

(c) For the purpose of any investigation or hearing under this Act, the provisions of section 9 of the Federal Trade Commission Act (15 U.S.C. 49) (relating to the attendance of witnesses and the production of books, papers, and documents) are made applicable to the Secretary.

SEC. 9. FISCAL CONTROLS; SANCTIONS.

(a)(1) Each State shall establish such fiscal control and fund accounting procedures as may be necessary to assure the proper disbursal of, and accounting for, Federal funds paid to the recipient under this Act. The Director of the Office of Management and Budget, in consultation with the Comptroller General of the United States, shall establish guidance for the proper performance of audits. Such guidance shall include a review of fiscal controls and fund accounting procedures established by States under this section.

(2) At least once every year, the State shall prepare or have prepared an independent financial and compliance audit of a substantial sample of programs funded under this Act.

(3) Each audit shall be conducted in accordance with applicable auditing standards set forth in the financial and compliance element of the Standards for Audit of Govern-

mental Organizations, Programs, Activities, and Functions issued by the Comptroller General of the United States.

(b) Whenever, as a result of financial and compliance audits or otherwise, the Governor determines that there is a substantial violation of a specific provision of this Act or the regulations, and corrective action has not been taken, the Governor shall withhold all or that portion of the funds affected.

(c)(1) The Comptroller General of the United States shall, on a selective basis, evaluate the expenditures of those States receiving funds under this Act in order to assure that expenditures are consistent with the provisions of this Act and to determine the effectiveness of each State in accomplishing the purposes of this Act. The Comptroller General shall conduct the evaluations whenever he determines it necessary and he shall periodically report to the Congress on the findings of such evaluations.

(2) For the purpose of evaluating and reviewing programs established or provided for by this Act, the Comptroller General shall have access to and the right to copy any books, accounts, records, correspondence, or other documents pertinent to such programs that are in the possession, custody, or control of the State, any recipient of funds under this Act, or any subgrantee or contractor of such recipients.

(d) Every State shall repay to the United States amounts found not to have been expended in accordance with this Act. The Secretary may offset such amounts against any other amount to which the State is or may be entitled under this Act unless he determines that such State should be held liable pursuant to subsection (e). No such action shall be taken except after notice and opportunity for a hearing have been given to the recipient.

(e)(1) Each State shall be liable to repay such amounts, from funds other than funds received under this Act, upon a determination that the misexpenditure of funds was due to willful disregard of the requirements of this Act, gross negligence, or failure to observe accepted standards of administration. No such finding shall be made except after notice and opportunity for a fair hearing.

(2) In determining whether to impose any sanction authorized by this section against a State for violations by a subgrantee of such State under this Act or the regulations under this Act, the Secretary shall first determine whether such State has adequately demonstrated that it has—

(A) established and adhered to an appropriate system for the award and monitoring of contracts with subgrantees which contains acceptable standards for ensuring accountability;

(B) entered into a written contract with such subgrantee which established clear goals and obligations in unambiguous terms;

(C) acted with due diligence to monitor the implementation of the subgrantee contract, including the carrying out of the appropriate monitoring activities (including audits) at reasonable intervals; and

(D) taken prompt and appropriate corrective action upon becoming aware of any evidence of a violation of this Act or the regulations under this Act by such subgrantee.

(3) If the Secretary determines that the State has demonstrated substantial compliance with the requirements of paragraph (2), the Secretary may waive the imposition of sanctions authorized by this section upon such State. The Secretary is authorized to impose any sanction consistent with the provisions of this Act and any applicable Federal or State law directly against any subgrantee for violation of this Act or the regulations under this Act.

(f) In emergency situations, if the Secretary determines it is necessary to protect the integrity of the funds or ensure the proper operation of the program, the Secretary may immediately terminate or suspend financial assistance, in whole or in part, if the State is given prompt notice and the opportunity for a subsequent hearing within thirty days after such termination or suspension. The Secretary shall not delegate any of the functions or authority specified in this subsection, other than to an officer whose appointment was required to be made by and with the advice and consent of the Senate.

(g) If the Secretary determines that any State under this Act has discharged or in any other manner discriminated against a participant or against any individual in connection with the administration of the program involved, or against any individual because such individual has filed any complaint or instituted or caused to be instituted any proceeding under or related to this Act, or has testified or is about to testify in any such proceeding or investigation under or related to this Act, or otherwise unlawfully denied to any individual a benefit to which that individual is entitled under the provisions of this Act or the Secretary's regulations, the Secretary shall, within thirty days, take such action or order such corrective measures, as necessary, with respect to the State or the aggrieved individual, or both.

(h) The remedies under this section shall not be construed to be exclusive remedies.

SEC. 10. REPORTS, RECORDKEEPING, AND INVESTIGATIONS.

(a)(1) States receiving funds under this Act shall keep records that are sufficient to permit the preparation of reports required by this Act and to permit the tracing of funds to a level of expenditure adequate to ensure that the funds have not been spent unlawfully.

(2) Every State shall maintain such records and submit such reports, in such form and containing such information, as the Secretary requires regarding the performance of its programs. Such records and reports shall be submitted to the Secretary but shall not be required to be submitted more than once each quarter unless specifically requested by the Congress or a committee thereof.

(b)(1)(A) In order to evaluate compliance with the provisions of this Act, the Secretary shall conduct, in several States, in each fiscal year investigations of the use of funds received by States under this Act.

(B) In order to ensure compliance with the provisions of this Act, the Comptroller General of the United States may conduct investigations of the use of funds received under this Act by any recipient.

(2) In conducting any investigation under this Act, the Secretary or the Comptroller General of the United States may not request the compilation of any new information not readily available to such recipient.

SEC. 11. NONDISCRIMINATION.

(a)(1) For the purpose of applying the prohibitions against discrimination on the basis of age under the Age Discrimination Act of 1975, on the basis of handicap under section 504 of the Rehabilitation Act, on the basis of sex under title IX of the Education Amendments of 1972, or on the basis of race, color, or national origin under title VI of the Civil Rights Act of 1964, programs and activities funded or otherwise financially assisted in whole or in part under this Act are considered to be programs and activities receiving Federal financial assistance.

(2) No individual shall be excluded from participation in, denied the benefits of, subjected to discrimination under, or denied employment in the administration of or in connection with any such program because of race, color, religion, sex, national origin, age, handicap, or political affiliation or belief.

(3) Participants shall not be employed on the construction, operation, or maintenance of so much of any facility as is used or to be used for sectarian instruction or as a place for religious worship.

(4) With respect to terms and conditions affecting, or rights provided to, individuals who are participants in activities supported by funds provided under this Act, such individuals shall not be discriminated against solely because of their status as such participants.

(5) Participation in programs and activities financially assisted in whole or in part under this Act shall be open to citizens and nationals of the United States, lawfully admitted permanent resident aliens, lawfully admitted refugees and pa-

rolees, and other individuals authorized by the Attorney General to work in the United States.

(b) Whenever the Secretary finds that a State or subgrantee of a State has failed to comply with a provision of law referred to in subsection (a)(1), with paragraph (2), (3), (4), or (5) of subsection (a), or with an applicable regulation prescribed to carry out such paragraphs, the Secretary shall notify such State or recipient and shall request it to comply. If within a reasonable period of time, not to exceed sixty days, the State or subgrantee fails or refuses to comply, the Secretary may—

(1) refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted;

(2) exercise the powers and functions provided by title VI of the Civil Rights Act of 1964, the Age Discrimination Act of 1975, or section 504 of the Rehabilitation Act, as may be applicable; or

(3) take such other action as may be provided by law.

(c) When a matter is referred to the Attorney General pursuant to subsection (b)(1), or whenever the Attorney General has reason to believe that a State or subgrantee is engaged in a pattern or practice in violation of a provision of law referred to in subsection (a)(1) or in violation of paragraph (2), (3), (4), or (5) or subsection (a), the Attorney General may bring a civil action in any appropriate district court of the United States for such relief as may be appropriate, including injunctive relief.

SEC. 12. ADMINISTRATIVE PROVISIONS.

(a) The Secretary may, in accordance with chapter 5 of title 5, United States Code, prescribe such rules and regulations as the Secretary deems necessary. Such rules and regulations may include adjustments authorized by section 204 of the Intergovernmental Cooperation Act of 1968. All such rules and regulations shall be published in the Federal Register at least thirty days prior to their effective date. Copies of all such rules and regulations shall be transmitted to the appropriate committees of the Congress at the same time and shall contain, with respect to each material provision of such rules and regulations, citations to the particular substantive section of law which is the basis therefor.

(b) The Secretary is authorized, in carrying out this Act, to accept, purchase, or lease in the name of the department, and employ or dispose of in furtherance of the purposes of this Act, any money or property, real, personal, or mixed, tangible or intangible, received by gift, devise, bequest, or otherwise, and to accept voluntary and uncompensated services notwithstanding the provisions of section 3679(b) of the Revised Statutes of the United States.

(c) The Secretary may make such grants, contracts, or agreements, establish such procedures and make such payments, in installments and in advance or by way of reimbursement, or otherwise allocate or expend funds under this Act as necessary to carry out this Act, including (without regard to the provisions of section 4774(d) of title 10, United States Code) expenditures for construction, repairs, and capital improvements, and including necessary adjustments in payments on account of overpayments or underpayments.

(d) The Secretary shall prepare and submit to the Congress an annual report for programs under this Act. The Secretary shall include in such report—

(1) a summary of the achievements, failures, and problems of the programs authorized in this Act in meeting the objective of this Act;

(2) a summary of major findings from research, evaluation, pilot projects, and experiments conducted in the previous fiscal year;

(3) recommendations for program modifications based upon analysis of such findings; and

(4) such other recommendations for legislative or administrative action as the Secretary deems appropriate.

I

98TH CONGRESS
1ST SESSION

H. R. 777

To guarantee a work opportunity for all Americans.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 25, 1983

Mr. SIMON (for himself, Mr. HAWKINS, Mr. PERKINS, Mr. CLAY, Mr. CORRADA, Mr. WEISS, Mr. WASHINGTON, Mr. DURBIN, Mr. KILDEE, Mr. MURPHY, and Mr. WILLIAMS of Montana) introduced the following bill; which was referred to the Committee on Education and Labor

MARCH 3, 1983

Additional sponsors: Mr. COYNE, Mr. SIKORSKI, Mr. WISE, Mr. HARRISON, Mr. REID, Mr. ANNUNZIO, Mr. MARTINEZ, Mr. BURTON of California, Mr. STOKES, Mr. LANTOS, Mr. SUNIA, Mr. OWENS, Mr. WON PAT, Mr. BEILENSON, Mr. MARKEY, Mr. STARK, Mr. SCHUMER, Mr. LELAND, Mr. MATSUI, Mr. MCNULTY, Mr. FAUNTROY, Mrs. BOXER, Mr. FRANK, Mr. RAHALL, and Mr. BONIOR of Michigan

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A BILL

To guarantee a work opportunity for all Americans.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Full Employment Work Opportunity Act".

ESTABLISHMENT OF PROGRAM

SEC. 2. From the sums appropriated pursuant to section 8 for any fiscal year, the Secretary shall make grants to local governing boards established in accordance with section 3 for the purpose of assisting local job projects which meet the requirements of section 4.

LOCAL GOVERNING BOARD

SEC. 3. (a)(1) Any eligible area which desires to receive funds under this Act shall establish a local governing board. The board shall be composed of thirteen members—

(A) two of whom shall be appointed by the Governor of the State within which the eligible area is located; and

(B) the remainder of whom shall be appointed by the units of general local government within the eligible area.

(2) The two members appointed under paragraph (1)(A) shall not be members of the same political party.

(3) The members appointed under paragraph (1)(B) shall include—

(A) representatives from major political parties;

(B) representatives from labor organizations and business management;

(C) at least one member representing education.

(b) The local governing board shall—

(1) in accordance with criteria prescribed by the Secretary, select a manager for job projects assisted under this Act; and

(2) determine, after receiving recommendations from and subject to the approval of the Secretary, the projects to be assisted under this Act.

(c) For the purposes of this section, an "eligible area" is a county or comparable unit of general local government as designated by the Secretary after consultation with affected officials in each State. No such area shall have a population in excess of three hundred thousand individuals, unless the Secretary waives this requirement.

LOCAL JOB PROJECT

SEC. 4. (a) Each job project selected for assistance under this Act shall provide employment to eligible individuals in accordance with the requirements of this section.

(b) An individual shall be eligible for employment in a job project assisted under this Act only if such individual has been unemployed for at least thirty days. Not more than two individuals from the same household shall be employed in any job project assisted under this Act. In selecting individuals for employment in such job projects, preference shall be given (1) to veterans who have been honorably discharged, and (2) to individuals from households in which no one is employed.

(c) Employees in job projects assisted under this Act shall receive wages equal to the higher of (1) the minimum wage under section 6(a)(1) of the Fair Labor Standards Act of 1968, or (2) the minimum wage under the applicable minimum wage law. Employment in such projects shall be restricted to not more than thirty-two hours per week. No individual shall be eligible for unemployment compensation during, or on the basis of, employment in a job project assisted under this Act, but each such individual shall otherwise be provided benefits and employment conditions comparable to the benefits and conditions provided to others employed in similar occupations by the same employer.

(d) Not more than one-tenth of the individuals employed in any job project assisted under this Act may be employed to supervise such job project. Such individuals may be selected without regard to subsection (b) and may receive wages in excess of the rate determined under subsection (c).

(e) Each project established under this section shall be of limited duration and shall be directed to the completion of a specific objective.

(f) Each project assisted under this section shall maintain an evaluation file for each individual employed in the project. The evaluation file shall be made available to the employee monthly, but shall not be available to any other person without the consent of the employee. The employee shall be afforded the opportunity to discuss any matter contained in or omitted from the file.

COORDINATION TASK FORCE

SEC. 5. Within sixty days after the date of enactment of this Act, the President shall appoint a task force to plan for the coordination of job projects assisted under this Act with welfare and unemployment compensation programs. The task force shall include representatives of the Departments of Labor and Health and Human Services, as well as representatives of labor organizations and business management. The task force shall submit a report on its activities to each House of the Congress not later than one year after the date of enactment of this Act.

ADVISORY COUNCIL

SEC. 6. The Secretary shall establish a national advisory council to oversee and make recommendations with respect to job projects assisted under this Act, the type of jobs which shall be provided, and a comprehensive list of the type of projects which the local governing board shall consider. The council shall be composed of thirteen members appointed by the Secretary of Labor.

DEFINITIONS

SEC. 7. As used in this Act, the term—

(1) "Secretary" means the Secretary of Labor;

(2) "State" includes the District of Columbia, Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands;

(3) [others].

AUTHORIZATION OF APPROPRIATIONS

SEC. 8. There are authorized to be appropriated to carry out this Act—

(1) $5,000,000,000 for fiscal year 1985;

(2) $10,000,000,000 for fiscal year 1986;

(3) $15,000,000,000 for fiscal year 1987;

(4) $15,000,000,000 for fiscal year 1988; and

(5) $15,000,000,000 for fiscal year 1989.

II

98th CONGRESS
1st Session

H. R. 1036

To provide employment opportunities to long-term unemployed individuals in high unemployment areas in projects to repair and renovate vitally needed community facilities, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

January 27, 1983

Mr. Hawkins (for himself, Mr. Perkins, Mr. Ford of Michigan, Mr. Burton of California, Mr. Gaydos, Mr. Clay, Mr. Biaggi, Mr. Andrews of North Carolina, Mr. Simon, Mr. Miller of California, Mr. Murphy, Mr. Weiss, Mr. Corrada, Mr. Kildee, Mr. Williams of Montana, Mr. Kogovsek, Mr. Washington, Mr. Martinez, Mr. Owens, Mr. Harrison, and Mr. Boucher) introduced the following bill; which was referred to the Committee on Education and Labor

April 20, 1983

Additional sponsors: Mr. Rodino, Mr. Towns, Mr. Stark, Mr. Roybal, Mr. Won Pat, Mr. Stokes, Mr. Bates, Mr. Dixon, Mr. Addabbo, Mr. Levine of California, Mr. Dymally, Mr. Brown of California, Mr. Lehman of Florida, Mr. Dellums, Mr. Leland, Mr. Beilenson, Mr. Mitchell, Mr. Fauntroy, Mr. Wheat, Mr. Gray, Mr. Eckart, Mr. Frank, Mrs. Hall of Indiana, Mr. Ford of Tennessee, Ms. Kaptur, Mr. Crockett, Mrs. Collins, Mr. Minish, Mr. Rahall, Mr. Anderson, Mr. Edwards of California, Mr. Bosco, Mr. Dwyer of New Jersey, Mr. de Lugo, Mr. Conyers, Mr. Rangel, Mrs. Schroeder, Mr. Lowry of Washington, Mr. Torres, Mr. Sikorski, Mr. Bonior of Michigan, Mrs. Boxer, Mr. Savage, Mr. Matsui, Mr. Gonzalez, Mr. Markey, Mr. Seiberling, Mr. St Germain, Ms. Oakar, Mr. Solarz, Mr. Fazio, Mr. Edgar, Mr. Coyne, Ms. Mikulski, Mr. Wise, and Mr. Sunia

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A BILL

To provide employment opportunities to long-term unemployed individuals in high unemployment areas in projects to repair and renovate vitally needed community facilities, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Community Renewal Employment Act".

PURPOSE AND AUTHORIZATION OF APPROPRIATIONS

SEC. 2. (a) It is the purpose of this Act to provide productive and useful employment opportunities to long-term unemployed individuals in high unemployment areas through grants for labor and related costs associated with the repair, maintenance, or rehabilitation of essential community facilities; with the conservation, rehabilitation, and improvement of public lands; and with public safety and health activities necessary to public welfare.

(b)(1) In order to enable eligible entities to provide employment opportunities for unemployed individuals under this Act—

(A) there are authorized to be appropriated $5,000,000,000 for fiscal year 1983; and

(B) there are authorized to be appropriated for each succeeding fiscal year not more than the product of (i) 20 per centum of the number of long-term unemployed individuals, multiplied by (ii) $10,000.

(2) For purposes of this subsection, the number of long-term unemployed individuals means the average number of individuals in the civilian labor force who, in the first three months of the fiscal year preceding the fiscal year for which the appropriation is to be made, had been unemployed for fifteen or more weeks as determined by the Bureau of Labor Statistics on a seasonally adjusted basis.

ELIGIBLE ENTITIES

SEC. 3. (a) Except as otherwise provided in this section, an eligible entity under this Act shall be—

(1) any State to the extent permitted under subsection (b)(1);

(2) any unit of general local government which has a population of fifty thousand or more individuals;

(3) any consortium of contiguous units of general local government which includes a unit of general local government qualifying as an eligible entity under paragraph (2);

(4) any existing concentrated employment program grantee serving a rural area pursuant to section 101(a)(4)(A)(iii) of the Job Training Partnership Act (Public Law 97-300); and

(5) any Native American Indian tribe, band, or group on a Federal or State reservation, the Oklahoma Indians, and any Alaska Native village or group as de-

fined in the Alaska Native Claims Settlement Act, having a governing body.

(b)(1) Any State shall qualify as an eligible entity to serve any area of the State (A) which is not under the jurisdiction of any other eligible entity under subsection (a), or (B) with respect to which no eligible entity has, within sixty days of the allocation of funds to such area under section 5, filed a plan in accordance with section 6 for the use of such allocation.

(2) A larger unit of general local government (determined on the basis of population) shall not qualify as an eligible entity to serve the population of any geographic area within the jurisdiction of any smaller unit of general local government (determined on the basis of population) if the latter such unit is or is part of an eligible entity that has filed a plan for the use of funds provided under this Act for such area.

ELIGIBLE PARTICIPANTS

SEC. 4. (a) An individual shall be eligible to participate in a program or activity receiving funds under this Act only if the State employment service agency certifies that such individual (1) is an unemployed individual (as defined in paragraph (6) of section 12) at the time of such certification, and (2) has been unemployed for at least fifteen of the twenty weeks immediately preceding the date of such certification.

In the case of an eligible entity described in section 3(a)(5), individuals may be so certified in accordance with regulations prescribed pursuant to section 5(c)(2).

(b) No individual who is eligible under subsection (a) shall receive wages from funds made available under this Act in excess of fifty-two weeks in any two-year period.

(c) In selecting participants for activities under this Act, the eligible entity shall give priority to individuals who are not eligible (at the time of selection) for unemployment insurance benefits and to individuals who have been unemployed for the longest periods of time preceding the date of their selection.

ALLOCATION OF FUNDS

SEC. 5. (a)(1) From the amount appropriated pursuant to section 2(b) for any fiscal year, the Secretary shall—

(A) in accordance with subsection (b), allocate 73 per centum thereof among eligible entities described in section 3(a) (1), (2), (3), or (4) within which the average rate of unemployment for the preceding twelve-month period equaled or exceeded 9 per centum of the civilian labor force within such entity;

(B) in accordance with subsection (b), allocate 15 per centum thereof among eligible entities described in section 3(a) (2), (3), or (4) which do not qualify for an allocation under subparagraph (A);

(C) in accordance with subsection (b), allocate 5 per centum thereof among the States;

(D) in accordance with subsection (c), allocate 2 per centum thereof among eligible entities described in section 3(a)(5); and

(E) in accordance with subsection (d), reserve 5 per centum thereof for distribution in the Secretary's discretion.

(2) For purposes of making any allocation under this section to eligible entities, a State shall not be treated as an eligible entity with respect to the area of any other eligible entity within such State which is also qualified for such allocation.

(b)(1) The amounts which are required by subparagraph (A), (B), or (C) of subsection (a)(1) to be allocated in accordance with this subsection shall each be distributed as follows:

(A) One-third of each such amount shall be allocated on the basis of the relative number of unemployed individuals.

(B) One-third of each such amount shall be allocated on the basis of the relative number of unemployed individuals residing in areas of substantial unemployment.

(C) One-third of each such amount shall be allocated on the basis of the relative number of excess unemployed individuals.

(2) An allocation, on the basis of the relative numbers of certain individuals described in paragraph (1), of amounts available under subparagraph (A) or (B) of subsection (a)(1) shall be made by comparing the number of such individuals residing in an eligible entity qualifying for an allocation under that subparagraph with the total number of such individuals residing in all eligible entities qualifying for an allocation under that subparagraph. An allocation, on the basis of the relative numbers of unemployed individuals described in paragraph (1), of amounts available under subparagraph (C) of subsection (a)(1) shall be made by comparing the number of such individuals residing in areas of a State which do not qualify for an allocation from amounts available under subparagraph (A) or (B) of subsection (a)(1) with the total number of such individuals residing in such areas in all the States.

(3) The amount allocated to each State from amounts available under subsection (a)(1)(C) shall be made available by the Governor to areas within such State which did not qualify for an allocation under subparagraph (A) or (B) of subsection (a)(1) but which—

(A) have had an average rate of unemployment for the three most recent consecutive months equal to or exceeding 9 per centum of the civilian labor force in such area,

(B) have had large-scale losses of jobs caused by the closing of facilities, mass layoffs, natural disasters, or similar circumstances, or

(C) have experienced sudden or severe economic dislocations.

(4) Amounts allocated under paragraph (3) may be made available at any time during the fiscal year, and any amounts not obligated during the fiscal year for which the appropriation was made shall remain available for obligation during the succeeding fiscal year.

(5) For the purpose of this subsection—

(A) the term "area of substantial unemployment" means an area of sufficient size and scope to sustain a program under this Act which had an average rate of unemployment of at least 6.5 per centum for the most recent twelve months, as determined by the Secretary (at least once each fiscal year); and

(B) the term "number of excess unemployed individuals" means the number which represents unemployed individuals in excess of 4.5 per centum of the civilian labor force in the eligible entity or State or in areas of substantial unemployment in the eligible entity or State.

(c)(1) The amounts which are required by subsection (a)(1)(D) to be allocated in accordance with this subsection among eligible entities described in section 3(a)(5) shall be allocated among such entities on an equitable basis, taking into account the extent to which regular employment opportunities have been lacking for long-term periods among individuals within the jurisdiction of such entities.

(2) The Secretary shall prescribe regulations applicable to programs operated by such entities with respect to procedures and program administration which are appropriate to the circumstances under which such programs operate.

(d) The amounts required by subsection (a)(1)(E) to be reserved for distribution in accordance with this subsection shall be reserved for distribution, at the Secretary's discretion at any time during the fiscal year, to eligible entities serving areas of high unemployment or designated enterprise zones, or areas affected by mass layoffs, natural disasters, or Federal Government actions (such as relocation of Federal facilities).

(e)(1) Any funds appropriated to carry out this Act which are obligated in any fiscal year shall be available for expenditure during a period of one year from the date of obligation. The obligation of funds shall not be revoked or canceled as long as such funds are expended during such one-year period at a rate which is consistent with the application. If funds are not so expended, first priority shall be given to use for other activities within the same State, and any funds which remain thereafter shall be reallocated for use within other States.

(2) The allocation of funds required to be made in accordance with subsections (b) and (c) shall be made not later than forty-five days after the date of enactment of the appropriation Act appropriating such funds.

(3) In making determinations for purposes of this Act with respect to population, civilian labor force, and unemployment, the Secretary shall use the most satisfactory current data available on a seasonally adjusted basis.

PLANS

SEC. 6. (a)(1) Each eligible entity which desires to receive funds appropriated under this Act shall file with the Secretary a plan containing the information and assurances required by this Act. Each such plan shall contain a description of the project or projects to be assisted with funds made available under this Act. Each such plan shall also be accompanied by evidence that the plan has been reviewed by the appropriate economic development district (as designated under section 403(a)(1) of the Public Works and Economic Development Act of 1965) for the area within which such eligible entity is located, or other appropriate agencies, and that such plan is not inconsistent with the appropriate community development plans for such area.

(2) Any plan for the use of funds under this Act submitted by an eligible entity shall be deemed acceptable unless, within thirty days of its filing with the Secretary (A) the Secretary finds that such plan violates the provisions of this Act, and (B) the Secretary provides to the eligible entity which submitted such plan a written explanation of the Secretary's determination. Such eligible entity shall have thirty days from the date of receipt of such explanation in which to file a revised plan with the Secretary.

(b) In designing projects under this Act, the eligible entity shall give priority to projects on the basis of (1) the severity and duration of unemployment within localities in the area of the eligible entity, (2) the degree to which project activities will lead to the expansion of unsubsidized employment opportunities in the private sector, (3) the level of need which exists for the activities and services to be provided, and (4) the extent to which project activities are coordinated with economic and community development activities funded from sources other than this Act.

USE OF FUNDS

SEC. 7. (a) Except as provided in subsection (b), funds made available to eligible entities under this Act may be used only to provide for wages and related employment benefits to eligible participants for work which such eligible entities certify has been done in one or more of the activities set forth in section 8.

(b) Not more than 25 per centum of the funds provided to any eligible entity under this Act from funds appropriated for any fiscal year may be used for the cost of administration (including supervision) and the acquisition of supplies, tools, and equipment. Nothing in this Act shall be construed to preclude or limit the payment of such costs, either in whole or in part, from sources other than this Act.

EMPLOYMENT ACTIVITIES IN COMMUNITY IMPROVEMENT PROJECTS

SEC. 8. (a) Eligible participants shall be employed in community improvement projects under this Act in one or more of the following activities:

(1) activities to repair, rehabilitate, or improve public facilities, including (A) road and street repair, (B) bridge painting and repair, (C) repair and rehabilitation of public buildings and other community facilities, (D) repair and rehabilitation of water systems, (E) repair and rehabilitation of public mass transportation systems, (F) erecting or replacing traffic control signs and removing road sign obstructions, (G) replacing school crossing, intersection, and other road surface

markings, (H) park and playground rehabilitation, (I) installation and repair of drainage pipes and catch basins in areas subject to flooding, (J) installation of graded ramps for the handicapped, (K) weatherization and other energy conservation activities, and (L) repair and rehabilitation of buildings and facilities used by local educational agencies and institutions of higher education;

(2) activities to conserve, rehabilitate, or improve public lands, including (A) erosion, flood, drought, and storm damage assistance and control, (B) removal of refuse and hazardous materials from drainage ditches, illegal dumping sites, and other public areas, (C) stream, lake, and waterfront harbor and port improvement and pollution control, (D) forestry, nursery, and silvicultural operations, (E) fish culture and habitat maintenance and improvement, (F) rangeland conservation, rehabilitation, and improvement, and (G) reclamation of public lands damaged by strip mining or other mineral extraction activities;

(3) public safety and health activities necessary to the public welfare, including (A) repairing or replacing fire hydrants and assisting in fire hazard inspections, (B) emergency food and shelter activities, (C) child care activities specially designed to enable parents to

work, (D) assisting nutrition programs for elderly and handicapped individuals, including meals on wheels programs, (E) relief activities for victims in areas affected by disasters, (F) upgrading home security for elderly and low-income residents, (G) assisting public health programs, including paraprofessional staff support for community health centers, (H) security guards for public schools and housing projects, (I) police dispatchers, clerical and traffic control personnel to free police officers for full-time street duty, (J) staff support for adult and juvenile correctional facilities, (K) rodent and insect control activities, and (L) hazardous materials surveys.

(b) Nothing in this section shall be construed to preclude such activities from being conducted in conjunction with programs funded from sources other than under this Act.

GENERAL REQUIREMENTS

SEC. 9. (a)(1) No person shall be excluded from participation in, denied the benefits of, subjected to discrimination under, or denied employment in the administration of or in connection with any program under this Act because of race, color, religion, sex, national origin, age, handicap, or political affiliation or belief.

(2) Participants shall not be employed on the construction, operation, or maintenance of so much of any facility as

is used or to be used for sectarian instruction or as a place for religious worship.

(3) With respect to terms and conditions affecting, or rights provided to, individuals who are participants in activities supported by funds provided under this Act, such individuals shall not be discriminated against solely because of their status as participants under this Act.

(b) Funds provided under this Act shall only be used for activities which are in addition to those which would otherwise be available in the area in the absence of such funds.

(c)(1) No funds made available for subsidized employment under this Act may be used to provide public services, through a private organization or institution, which are customarily provided by a State, a political subdivision, or a local educational agency in the area served by the eligible entity.

(2) In no event shall the number of individuals employed in subsidized jobs by eligible entities described in paragraphs (1) through (3) of section 3(a) exceed 5 per centum of the number of unsubsidized employees of the eligible entity in the area served by such entity, except that this limitation shall be increased to 10 per centum of such entity's work force in communities with a population of less than two hundred and fifty thousand if the eligible entity certifies that application of

the limitation at 5 per centum of such entity's work force would prevent such entity from implementing a project.

(d) Only eligible individuals residing in the area of an eligible entity may be served by employment activities funded under this Act.

(e) Subsections (d), (e), (f), (g), and (h) of section 164 of the Job Training Partnership Act (Public Law 97–300), relating to repayment of misexpended funds and termination and suspension of payments, shall be applicable to eligible entities which are recipients of funds under this Act.

(f) No individual shall be eligible to be employed in a subsidized wage position under this Act if such individual has, within the preceding six months, voluntarily terminated, without good cause, his or her last previous full-time employment at a wage rate equal to or exceeding the Federal minimum wage as prescribed under section 6(a)(1) of the Fair Labor Standards Act of 1938.

(g) The Secretary shall not provide financial assistance for any program under this Act which involves political activities.

(h)(1) An individual in employment subsidized under this Act shall be paid wages which shall not be less than the highest of (A) the minimum wage under section 6(a)(1) of the Fair Labor Standards Act of 1938, (B) the minimum wage under the applicable State or local minimum wage law, or (C) the prevailing rates of pay for individuals employed in similar occupations by the same employer.

(2) The portion of the wages which may be paid to any individual from funds made available under this Act shall not exceed an amount which, on a annualized basis, would result in the payment of $10,000 to any such individual from such funds, but such maximum shall be adjusted upward for particular areas served by eligible entities as determined by the Secretary, on the basis of the wage adjustment index issued in accordance with paragraph (3) of this subsection.

(3) The Secretary shall issue and publish annually an area wage adjustment index based upon the ratio which annual average wages in public and private employment in various areas served by eligible entities bear to the average of all such wages nationally, on the basis of the most satisfactory data the Secretary determines to be available.

(4) Participants employed under this Act may have their wages supplemented by the payment of additional wages for such employment from sources other than this Act, not to exceed an amount equal to 50 per centum of the maximum wage specified in paragraph (2).

(5) Participants shall be allowed sufficient time off from work activities to participate effectively in the job search activities authorized under section 11 of this Act.

(6) Eligible entities operating programs under this Act shall maintain an individual work record for each participant, to be provided to each participant at the end of his or her participation, which shall contain—

(A) a documentary history of the experience and skills acquired by each participant; and

(B) a list of the major work tasks completed by each participant.

LABOR STANDARDS

SEC. 10. (a)(1) Conditions of employment and training shall be appropriate and reasonable in light of such factors as the type of work, geographical region, and proficiency of the participant.

(2) Health and safety standards established under State and Federal law, otherwise applicable to working conditions of employees, shall be equally applicable to working conditions of participants. With respect to any participant in a program conducted under this Act who is engaged in activities which are not covered by health and safety standards under the Occupational Safety and Health Act of 1970, the Secretary shall prescribe, by regulation, such standards as may be necessary to protect the health and safety of such participants.

(3) To the extent that a State workers' compensation law is applicable, workers' compensation benefits in accord-

ance with such law shall be available with respect to injuries suffered by participants. To the extent that such law is not applicable, each recipient of funds under this Act shall secure insurance coverage for injuries suffered by such participants, in accordance with regulations prescribed by the Secretary.

(4) All individuals employed in subsidized jobs shall be provided benefits and working conditions at the same level and to the same extent as other employees working a similar length of time and doing the same type of work.

(5) No funds available under this Act may be used for contributions on behalf of any participant to retirement systems or plans.

(b)(1) No currently employed worker shall be displaced by any participant (including partial displacement such as a reduction in the hours of nonovertime work, wages, or employment benefits).

(2) No program shall impair existing contracts for services or collective-bargaining agreements, except that no program under this Act which would be inconsistent with the terms of a collective-bargaining agreement shall be undertaken without the written concurrence of the labor organization and employer concerned.

(3) No participant shall be employed or job opening filled (A) when any other individual is on layoff from the same or any substantially equivalent job, or (B) when the

employer has terminated the employment of any regular employee or otherwise reduced its work force with the intention of filling the vacancy so created by hiring a participant whose wages are subsidized under this Act.

(4) No jobs shall be created in a promotional line that will infringe in any way upon the promotional opportunities of currently employed individuals.

(c)(1) Each recipient of funds under this Act shall provide to the Secretary assurances that none of such funds will be used to assist, promote, or deter union organizing.

(2) Where a labor organization represents a substantial number of employees who are engaged in similar work or training in the same area as that proposed to be funded under this Act, an opportunity shall be provided for such organization to submit comments with respect to such proposal.

(d) All laborers and mechanics employed by contractors or subcontractors in any construction, alteration, or repair, including painting and decorating, of projects, buildings, and works which are federally assisted under this Act, shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary in accordance with the Act of March 3, 1931 (commonly known as the Davis-Bacon Act), as amended (40 U.S.C. 276a–276a–5). The Secretary shall have, with respect to such labor standards, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267) and section 2 of the Act of June 1, 1934, as amended (48 Stat. 948, as amended; 40 U.S.C. 276(c)).

EMPLOYMENT SERVICE RESPONSIBILITIES

SEC. 11. (a) There are authorized to be appropriated such sums as may be necessary for fiscal year 1983 and for each of the succeeding fiscal years to enable the United States Employment Service to provide funds to State employment service agencies to carry out the provisions of this section.

(b) In order to receive funds appropriated under subsection (a), the employment service agency of each State shall provide the following services, in accordance with an agreement with eligible entities:

(1) certification and referral of eligible participants, in accordance with section 4; and

(2) labor market information and job search assistance to assist participants in finding regular unsubsidized employment as soon as possible, with special emphasis on services for those approaching the maximum duration for participants under this Act.

DEFINITIONS

SEC. 12. For the purposes of this Act—

(1) the term "designated enterprise zone" means an area of pervasive poverty, unemployment, and gen-

eral distress designated for special treatment under Federal law;

(2) the term "local educational agency" has the same meaning as provided in section 195(10) of the Vocational Education Act of 1963;

(3) the term "institution of higher education" has the same meaning as provided in section 1201 of the Higher Education Act of 1965;

(4) the term "Secretary" means the Secretary of Labor;

(5) the term "State" means any of the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, the Northern Mariana Islands, American Samoa, and the Trust Territory of the Pacific Islands;

(6) the term "unemployed individuals" means individuals aged sixteen or older who are without jobs and who want and are available for work, as determined in accordance with criteria used by the Bureau of Labor Statistics of the Department of Labor in defining individuals as unemployed, but such criteria shall not be applied differently on account of an individual's previous employment; and

(7) the term "unit of general local government" means any general purpose political subdivision of a

State which has the power to levy taxes and spend funds, as well as general corporate and police powers.

98TH CONGRESS
1ST SESSION

H. R. 1046

To amend the Public Works and Economic Development Act of 1965 and the Appalachian Regional Development Act of 1965.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 27, 1983

Mr. O'BRIEN (for himself and Mr. HYDE) introduced the following bill; which was referred jointly to the Committees on Public Works and Transportation, Banking, Finance and Urban Affairs, Education and Labor, and Small Business

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A BILL

To amend the Public Works and Economic Development Act of 1965 and the Appalachian Regional Development Act of 1965.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—NATIONAL JOBS CREATION

SEC. 101. The Public Works and Economic Development Act of 1965 is amended to read as follows: "That this Act may be cited as the 'National Jobs Creation Act of 1983.".

"TITLE I—NATIONAL JOBS CREATION

"PURPOSES

"SEC. 101. The purposes of this Act are—

"(1) to establish a framework within which Federal, State, and local governments, and the private sectors, in urban and rural areas, can combine their resources to achieve economic development in all parts of the Nation;

"(2) to help create a strong investment climate which promotes the expansion and retention of job opportunities for local residents; and removes economic barriers in local areas which impede the free market forces;

"(3) to build, rehabilitate, and repair public infrastructure where it is inadequate to support and encourage private investment in the area;

"(4) to link public and private funds to foster coordination of resources between these sectors, in order to leverage the maximum investment in the long-term economic vitality of all areas;

"(5) to facilitate local and regional economic adjustment and economic development diversification in a changing national economy, by assisting State and local efforts to foresee adverse economic changes; to prevent their consequences where possible; to respond as necessary; and to achieve economic self-sufficiency;

"(6) to assist in relieving capital shortages and fill local credit gaps which impede private business start-ups and expansion; and

"(7) to assist communities and industries to respond to the opportunities and challenges of a world increasingly knit together by international trade.

"ELIGIBLE ACTIVITIES

"SEC. 102. Upon application of a State, any unit of local government, Indian tribe, or public nonprofit organization established for jobs creation purposes or multijurisdictional unit within a State, which meets the eligibility criteria hereinafter established by this Act, the Secretary is authorized to make a grant for a portion of the cost, as provided in section 108 of this Act, of projects submitted in a jobs creation strategy. Jobs creation assistance may be for the following purposes:

"(1) the construction, repair, rehabilitation, and improvement of public facilities, including the acquisition of land and other public works improvements to encourage and support private development;

"(2) revolving loan funds to promote the establishment and growth of small businesses and to retain indigenous firms and entrepreneurs which contribute to the creation, retention, and expansion of private sector jobs;

"(3) jobs creation activities which address and prevent economic dislocation and facilitate economic adjustment which contributes to economic diversification and long-term economic vitality of the area.

"APPLICANTS

"SEC. 103. A State, any unit of local government, Indian tribe, or multijurisdictional unit within a State, which meets the requirements of section 105 may apply for a grant under this title.

"APPLICATION FOR GRANT

"SEC. 104. (a) An application for a grant under this title shall include, but need not be limited to—

"(1) a certification that the area for which the grant is to be made meets the distress requirements set forth in section 105;

"(2) a certification relative to the performance of any responsibilities which the Secretary has agreed to accept under section 203 of this Act; and

"(3) a jobs creation strategy prepared in accordance with section 106.

"(b) In approving applications for grants under this title, the Secretary shall consider the following:

"(1) the severity of distress in the area for which the grant is to be made;

"(2) the ratio of private sector investments committed in such area to the amount of the grant applied for;

"(3) the extent to which the appropriate State and local governments have undertaken or agree to undertake other related actions to encourage jobs creation and the expansion of employment opportunities;

"(4) the effectiveness of the jobs creation strategy and the degree to which the proposed project contributes to its implementation (including the strategy's relationship to economic problems identified in the strategy), expands employment opportunities in the existing labor market, provides incentives to retain indigenous private businesses, and encourages private investment; and

"(5) the extent to which the strategy and activities are consistent with State and local goals and priorities and contribute to long-term economic growth and private sector employment opportunities and establish an overall strengthened economic and business environment which will be self-sustaining.

"DISTRESS REQUIREMENTS

"SEC. 105. (a) In order to be eligible for a grant under this title, the applicant must certify that any activity or project to be funded under such grant will be carried out or located in an area which meets any one of the following criteria:

"(1) the area has a per capita income of 80 per centum or less of the national average;

"(2) the area has an unemployment rate 2 per centum above the national average for the most recent twenty-four-month period for which statistics are available; or

"(3) the area has experienced or is about to experience a sudden economic dislocation resulting in job loss that is significant both in terms of the number of jobs eliminated and the effect upon the employment rate of the area.

"(b) Documentation of distress shall be supported by Federal data, when available through the State government. Such documentation shall be accepted by the Secretary unless it is determined to be inaccurate. The most recent statistics available must be used.

"JOBS CREATION STRATEGY

"SEC. 106. (a) Except as provided in subsection (b) of this section, an applicant for a grant under this title shall prepare a jobs creation strategy for the area for which the grant is sought which—

"(1) identifies the employment problems sought to be addressed by the grant;

"(2) identifies past, present, and projected future jobs creation investments in such area and public and private participants and sources of funding for such investments;

"(3) identifies the extent to which the jobs creation strategy takes into account—

"(A) availability of land and space in the area to meet jobs creation needs;

"(B) public works, public service, and jobs training facilities in the area;

"(C) availability of jobs creation capital;

"(D) tax policy on jobs creation investments in the area;

"(E) level of skill of the labor force; and

"(F) ability of States and units of local government to provide financial assistance in the management and implementation of the strategy;

"(4) sets forth a strategy for addressing the jobs creation problems identified in paragraph (1) and discusses the manner in which the strategy will solve such problems;

"(5) provides a general discussion of the projects necessary to implement the strategy, an estimate and analysis of the costs and anticipated benefits of implementing the strategy, and an estimate of the timetables for completion of such projects; and

"(6) provides a summary of public and private resources which are expected to be available for such projects.

"PRIVATE SECTOR INCENTIVES

"SEC. 107. (a) To stimulate small business development and to promote internal economic growth which contributes to an improved local tax base and the creation of permanent employment opportunities, the Secretary is authorized to make grants to an applicant to establish a revolving loan fund to be used for making loans or guaranteeing loans to small businesses for initial or working capital, or the purchase of facilities or equipment. In addition, loans or guarantees may be made to businesses where capital is needed to complete financing necessary to retain the business in the area.

"(b) No grant for the establishment or recapitalization of a revolving loan fund shall be made for more than $1,000,000.

"(c) No loan or guarantee shall be made from a revolving loan fund which has received a grant under this title unless the financial assistance applied for is not otherwise available from private lenders on terms which in the opinion of the administrator of the revolving loan fund will be available only for the purposes set forth in subsection (a).

"(d) No loan or guarantee may be made from a revolving loan fund which has received a grant under this title unless the applicant for such loan or guarantee provides reasonable assurance of repayment of the loan.

"(e) The grantee of any grant for a revolving loan fund shall administer the fund and the United States shall exercise no control over the administration of such fund.

"FEDERAL SHARE

"Sec. 108. (a) The amount of any grant for a project for any eligible activity described in paragraph (1) of section 102 shall be that amount which when added to amounts available from all other sources is sufficient to complete such project, except that in no event shall the amount of any grant under this title exceed 50 per centum of such cost of completing the project as determined at the time of the grant application. No additional funds shall be granted or otherwise made available under this Act for any such project for which a grant has been made under this Act.

"(b) The amount of any grant for the establishment of a revolving loan fund under paragraph (2) of section 102 shall not exceed an amount which is equal to the amount of funds available from all other sources for the establishment of such revolving loan fund. The amount of any additional grant for the recapitalization of a revolving loan fund previously established with a grant under this Act shall not exceed an amount which is equal to one-third of the amount of funds available from all other sources for such recapitalization.

"LIMITATION

"SEC. 109. Not more than 15 per centum of the appropriations made pursuant to this title may be expended in any one State.

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 110. There is authorized to be appropriated to carry out this title, to be available until expended, $182,000,000 per fiscal year for each of the fiscal years ending September 30, 1983 and September 30, 1984.

"TITLE II—ADMINISTRATION

"DEFINITIONS

"SEC. 201. For purposes of this Act—

"(1) the term 'State' means the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Trust Territory of the Pacific Islands, and the Commonwealth of the Northern Marianas;

"(2) the term 'unit of local government' means any city, county, town, parish, village, or other general purpose political subdivision of a State;

"(3) the term 'multijurisdictional unit' means an agency serving two or more units of government;

"(4) the term 'Indian tribe' means the governing body of a tribe, an Indian authority or tribal organization or entity, an Alaskan Native village, or any Indian group which is recognized as an Indian tribe by the Secretary of the Interior;

"(5) the term 'small business' means a business that is independently owned and operated, is not dominant in its field of operations, and meets such other criteria as the Secretary, after consultation with the Administrator of the Small Business Administration, may by regulation establish, including but not limited to, numbers of employees and dollar volume of business by industrial classes;

"(6) the term 'Secretary' means the Secretary of Commerce.

"ADMINISTRATION OF ASSISTANCE

"SEC. 202. No grant shall be approved under this Act unless the Secretary is satisfied that the project for which Federal assistance is granted will be properly and efficiently administered, operated, and maintained.

"CERTIFICATION

"SEC. 203. (a) The Secretary may discharge any of his responsibilities relative to a project for which a grant may be made under title I of this Act by accepting a certification by the applicant of the applicant's performance of such responsibilities. The Secretary shall promulgate such guidelines and regulations as may be necessary to carry out this section.

"(b) Acceptance by the Secretary of an applicant's certification under this section may be rescinded by the Secretary at any time if, in his opinion, it is necessary to do so.

"ANNUAL REPORT

"SEC. 204. The Secretary shall make a comprehensive and detailed annual report to the Congress of his operations under this Act for each fiscal year beginning with the fiscal year ending September 30, 1983. Such report shall be printed and shall be transmitted to the Congress not later than February 1 of the year following the fiscal year with respect to which such report is made.

"RECORD OF APPLICATIONS

"SEC. 205. The Secretary shall maintain as a permanent part of the records of the Department of Commerce a list of applications approved for a grant under this Act, which shall be kept available for public inspection during the regular business hours of the Department of Commerce. The following information shall be posted in such list as soon as each application is approved: (1) the name of the applicant, (2) the amount and duration of the grant for which application is made, and (3) the purposes for which the proceeds of the grant are to be used.

"RECORDS AND AUDIT

"Sec. 206. (a) Each recipient of a grant under this Act shall keep such records as the Secretary shall prescribe, including records which fully disclose the amount and the disposition by such recipient of the proceeds of such grant, the total cost of the project or undertaking in connection with which such grant is given or used, and the amount and nature of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.

"(b) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipient that are pertinent to assistance received under this Act.".

TITLE II—APPALACHIAN REGIONAL TRANSITION ASSISTANCE

Sec. 201. This title may be cited as the "Appalachian Transition Act of 1983".

Sec. 202. Section 2 of the Appalachian Regional Development Act of 1965 is amended as follows:

(1) The sixth sentence of subsection (a) is amended to read as follows: "The public investments made in the region under this Act shall be concentrated in areas where there is a significant potential for future growth and where the expected return on public dollars invested will be the greatest, in severely distressed and underdeveloped counties lacking resources for basic services, and in areas without access to sufficient health services.".

(2) Section 2 is amended by adding at the end thereof the following new subsection:

"(c) The Congress finds that substantial progress has been made toward the achievement of the purposes of the Act but that there are still significant deficiencies to be remedied in order to bring the region closer to a fair share in the Nation's prosperity. The Congress also recognizes, however, that considerations of the national economy, consequent limits on Federal resources and competing national interests require an assumption of greater responsibilities by the States and the private sector. It is, therefore, also the purpose of this Act to provide for an orderly transition from the special assistance of this Act and other Federal programs to increase State, local, and private investment in regional development and to provide assistance to narrow certain critical remaining gaps and assure that maximum advantage is derived from investments already made under the Appalachian program in the region.".

SEC. 203. Subsection (b) of section 105 of the Appalachian Regional Development Act of 1965 is amended to read as follows:

"(b) To carry out this section there are hereby authorized to be appropriated to the Commission, to be available until expended, for the fiscal year ending September 30, 1984, not to exceed $2,900,000 (of which not to exceed $450,000 shall be available for expenses of the Federal cochairman, his alternate and his staff).".

SEC. 204. Paragraph (7) of section 106 of the Appalachian Regional Development Act of 1965 is amended by striking out "1982" and inserting in lieu thereof "1984".

SEC. 205. Section 210 of the Appalachian Regional Development Act of 1965 is amended as follows:

(1) Subsection (a) of such section is amended by striking out "three thousand and twenty-five miles" and inserting in lieu thereof "two thousand three hundred fifty-one miles" and by striking out "one thousand four hundred miles" and inserting in lieu thereof "nine hundred thirty-five miles".

(2) Subsection (g) of such section is amended by striking out the period at the end thereof and inserting in lieu thereof a semicolon and the following:

"$100,000,000 for fiscal year 1984; *Provided,* That funds authorized for fiscal year 1984 shall only be available for obligation on projects which have not proceeded past engineering and design approval prior to September 30, 1982.".

(3) Subsection (h)(1) of such section is amended by striking out "70 per centum" and inserting in lieu thereof "80 per centum" and by adding at the end thereof the following new sentence: "Projects approved after March 31, 1979, may be adjusted to receive a Federal share not greater than 80 per centum.".

SEC. 206. Subsection (c) of section 214 of the Appalachian Regional Development Act of 1965 is amended in the first sentence by striking out "December 31, 1980" and inserting in lieu thereof "October 1, 1984".

SEC. 207. Part B of title II of the Appalachian Regional Development Act of 1965 is amended by adding at the end thereof the following new section:

"SEC. 215. After September 30, 1983, the Commission is authorized, subject to section 224 and other provisions of this Act, to make grants to States and public and nonprofit entities for projects which will assist in the creation or retention of permanent private sector jobs, the upgrading of the region's manpower, or the attraction of private investment; or will provide special assistance to severely distressed and underdeveloped counties which lack financial resources for improving basic services; or will assist in achieving the goals of providing reasonable access to primary health care for every resident of the region, providing adequate health manpower, or reducing infant mortality.".

SEC. 208. Section 224 of the Appalachian Regional Development Act of 1965 is amended by adding at the end thereof the following new subsections:

"(d) Except for development highways under section 201 and for local development district support, research, and technical assistance under section 302, no project shall be approved after September 30, 1983, for assistance under this Act unless the Commission determines such project—

"(1) is necessary for a related private sector commitment which assures the direct creation or retention of jobs in the region, or which assures a specific private investment that will meet a high priority objective substantially enhancing the economic development potential of an area;

"(2) will upgrade manpower for jobs in the region through training relevant to the regional job market;

"(3) is for the planning, design and engineering, construction, renovation, necessary site or facilities acquisition, equipment or startup operations assistance to assure proper installation, operation, and maintenance of a facility to provide safe drinking water, affordable waste disposal, or other similar basic service, in a county designated by the Commission as severely distressed or underdeveloped on the basis of such factors as per capita income, unemployment, percentage of population below the national poverty level, and infant mortality; or

"(4) is for organizational costs, renovation, equipment, planning and management technical assistance, startup, and not to exceed one year of operations (and, in the case of primary care projects, for construction, including engineering, design, site or facility acquisition) necessary for the provision of primary health care, infant mortality reduction, or recruitment of health manpower in an area determined by the Commission to lack adequate primary health care resources, to have an unusually high rate of infant mortality (considering average infant mortality rate for the three-year period 1977 through 1979 in comparison with 150 per centum of the national average rate and other factors) or in a county with a health manpower shortage area designated by the Department of Health and Human Services.

"(e) Notwithstanding any other provision of this Act, grants under this Act with funds authorized by any amendment made by the Appalachian Transition Act of 1983 shall not, after September 30, 1983, exceed 50 per centum of the costs of any project approved under this Act (except projects under section 201), but such grants may increase the Federal contribution to any project, notwithstanding limitations in other Federal laws, to such percentage as the Commission determines within limitations in this Act.

"(f) No funds authorized under the Appalachian Transition Act of 1983 shall be approved under this Act for projects (1) in connection with libraries, cultural centers, or recreation facilities; (2) for the construction of schools, hospitals, or government office buildings; (3) for community centers or social services facilities (except as provided in subsections (d) (3) and (4) of this section); or (4) for operations, except costs for startup and first year of operations.".

SEC. 209. Section 401 of the Appalachian Regional Development Act of 1965 is amended by adding at the end thereof the following: "In addition to the appropriations authorized in section 105 for administrative expenses, and in section 201(g) for the Appalachian development highway system and local access roads, there is authorized to be appropriated to the President, to be available until expended, to carry out this Act $50,000,000 for the fiscal year ending September 30, 1984.".

SEC. 210. Section 405 of the Appalachian Regional Development Act of 1965 is amended by striking out "October 1, 1982" and inserting in lieu thereof "October 1, 1984".

SEC. 211. Sections 203, 204, 206, 208, 212, and 213 of the Appalachian Regional Development Act of 1965 are repealed.

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98TH CONGRESS
1ST SESSION

H. R. 1060

To provide employment opportunities to long-term unemployed individuals in high unemployment areas in conjunction with job training in occupations and skilled trades which are essential to rebuilding or maintenance of the national infrastructure or which are necessary to or related to defense preparedness.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 27, 1983

Mr. WASHINGTON introduced the following bill; which was referred to the Committee on Education and Labor

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A BILL

To provide employment opportunities to long-term unemployed individuals in high unemployment areas in conjunction with job training in occupations and skilled trades which are essential to rebuilding or maintenance of the national infrastructure or which are necessary to or related to defense preparedness.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Long-Term Investment in Full Employment Act of 1983".

AUTHORIZATION OF APPROPRIATION

SEC. 2. There are authorized to be appropriated to carry out this Act $9,000,000,000 for fiscal year 1983, $10,000,000,000 for fiscal year 1984, $11,000,000,000 for fiscal year 1985, $12,000,000,000 for fiscal year 1986, and $13,000,000,000 for fiscal year 1987.

ALLOCATION OF FUNDS

SEC. 3. From the sum appropriated pursuant to section 2 for any fiscal year, the Secretary shall allocate to each State an amount which bears the same ratio to such sum as the number of unemployed individuals in such State bears to the total number of unemployed individuals in all the States.

USE OF FUNDS

SEC. 4. (a) From the amount allocated to any State, the Secretary shall make grants to the State government and other appropriate agencies and organizations within the State for the purpose of establishing employment programs in accordance with the requirements of subsection (b).

(b) Each employment program established with funds made available under this Act shall—

(1) guarantee employment for any adult residing in the area of the program who—

(A) has been unemployed for one month or more; and

(B) is ready, willing, and able to work;

(2) pay individuals employed by the program a wage, for not less than forty hours of work per week, which is not less than the higher of (A) the minimum wage under Federal, State, or local law, or (B) the prevailing wage for comparable work for the same or similar employers;

(3) provide employment for the maintenance, repair, renovation, or reconstruction of decaying public facilities, including public highways and roads, parks, water and sewer facilities, public schools and hospitals, and intercity and intracity rail systems;

(4) provide employment for an initial period of six months; and

(5) require that an individual may retain employment in the program for an additional six months if the individual (A) has enrolled in and regularly attends a vocational training or retraining educational institution, or (B) has obtained an appropriate certificate of completion or diploma from such an institution.

(c) Funds available under this Act may be used to pay wages and benefits of individuals employed in programs which meet the requirements of subsection (b) and to pay reasonable tuition and other expenses incurred by such individuals in complying with the requirements of subsection (b)(4).

SECRETARY'S AUTHORITY

SEC. 5. (a) The Secretary is authorized to prescribe regulations governing the administration of programs under this Act and to delegate to any officer or employee of the United States such of his powers and duties (other than prescribing regulations) as he finds necessary in carrying out the purposes of this Act.

(b) The Secretary is authorized, directly or by contract, to conduct research and to make reports with respect to—

(1) abilities, aptitudes, and capacity of unemployed individuals and their potential for development;

(2) to provide for the establishment and operation of an information system to provide useful information concerning the unemployment training and retraining programs to interested agencies, organizations, and groups.

NONDISCRIMINATION

SEC. 6. (a)(1) For the purpose of applying the prohibitions against discrimination on the basis of age under the Age Discrimination Act of 1975, on the basis of handicap under section 504 of the Rehabilitation Act, on the basis of sex under title IX of the Education Amendments of 1972, or on the basis of race, color, or national origin under title VI of the Civil Rights Act of 1964, programs and activities funded or otherwise financially assisted in whole or in part under this

Act are considered to be programs and activities receiving Federal financial assistance.

(2) No individual shall be excluded from participation in, denied the benefits of, subjected to discrimination under, or denied employment in the administration of or in connection with any such program because of race, color, religion, sex, national origin, age, handicap, or political affiliation or belief.

(3) Participants shall not be employed on the construction, operation, or maintenance of so much of any facility as is used or to be used for sectarian instruction or as a place for religious worship.

(4) With respect to terms and conditions affecting, or rights provided to, individuals who are participants in activities supported by funds provided under this Act, such individuals shall not be discriminated against solely because of their status as such participants.

(5) Participation in programs and activities financially assisted in whole or in part under this Act shall be open to citizens and nationals of the United States, lawfully admitted permanent resident aliens, lawfully admitted refugees and parolees, and other individuals authorized by the Attorney General to work in the United States.

(b) Whenever the Secretary finds that a State or other recipient has failed to comply with a provision of law referred to in subsection (a)(1), with paragraph (2), (3), (4), or (5) of subsection (a), or with an applicable regulation prescribed to carry out such paragraphs, the Secretary shall notify such State or recipient and shall request it to comply. If within a reasonable period of time, not to exceed sixty days, the State or recipient fails or refuses to comply, the Secretary may—

(1) refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted;

(2) exercise the powers and functions provided by title VI of the Civil Rights Act of 1964, the Age Discrimination Act of 1975, or section 504 of the Rehabilitation Act, as may be applicable; or

(3) take such other action as may be provided by law.

(c) When a matter is referred to the Attorney General pursuant to subsection (b)(1), or whenever the Attorney General has reason to believe that a State or other recipient is engaged in a pattern or practice in violation of a provision of law referred to in subsection (a)(1) or in violation of paragraph (2), (3), (4), or (5) of subsection (a), the Attorney General may bring a civil action in any appropriate district court of the United States for such relief as may be appropriate, including injunctive relief.

LABOR STANDARDS

SEC. 7. (a)(1) Conditions of employment and training under this Act shall be appropriate and reasonable in light of such factors as the type of work, geographical region, and proficiency of the participant.

(2) Health and safety standards established under State and Federal law, otherwise applicable to working conditions of employees, shall be equally applicable to working conditions of participants. With respect to any participant in a program conducted under this Act who is engaged in activities which are not covered by health and safety standards under the Occupational Safety and Health Act of 1970, the Secretary shall prescribe, by regulation, such standards as may be necessary to protect the health and safety of such participants.

(3) To the extent that a State workers' compensation law is applicable, workers' compensation benefits in accordance with such law shall be available with respect to injuries suffered by participants. To the extent that such law is not applicable, each recipient of funds under this Act shall secure insurance coverage for injuries suffered by such participants, in accordance with regulations prescribed by the Secretary.

(4) All individuals employed in subsidized jobs shall be provided benefits and working conditions at the same level

and to the same extent as other employees working a similar length of time and doing the same type of work.

(5) No funds available under this Act may be used for contributions on behalf of any participant to retirement systems or plans.

(b)(1) No currently employed worker shall be displaced by any participant (including partial displacement such as a reduction in the hours of nonovertime work, wages, or employment benefits).

(2) No program shall impair existing contracts for services or collective bargaining agreements, except that no program under this Act which would be inconsistent with the terms of a collective bargaining agreement shall be undertaken without the written concurrence of the labor organization and employer concerned.

(3) No participant shall be employed or job opening filled (A) when any other individual is on layoff from the same or any substantially equivalent job, or (B) when the employer has terminated the employment of any regular employee or otherwise reduced its work force with the intention of filling the vacancy so created by hiring a participant whose wages are subsidized under this Act.

(4) No jobs shall be created in a promotional line that will infringe in any way upon the promotional opportunities of currently employed individuals.

(c)(1) Each recipient of funds under this Act shall provide to the Secretary assurances that none of such funds will be used to assist, promote, or deter union organizing.

(2) Where a labor organization represents a substantial number of employees who are engaged in similar work or training in the same area as that proposed to be funded under this Act, an opportunity shall be provided for such organization to submit comments with respect to such proposal.

(d) All laborers and mechanics employed by contractors or subcontractors in any construction, alteration, or repair, including painting and decorating, of projects, buildings, and works which are federally assisted under this Act, shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary in accordance with the Act of March 3, 1931 (commonly known as the Davis-Bacon Act), as amended (40 U.S.C. 276a-276a-5). The Secretary shall have, with respect to such labor standards, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267) and section 2 of the Act of June 1, 1934, as amended (48 Stat. 948, as amended; 40 U.S.C. 276(c)).

DEFINITIONS

SEC. 8. For the purposes of this Act—

(1) the term "Secretary" means the Secretary of Labor; and

(2) the term "State" means each of the several States, the District of Columbia, Puerto Rico, American Samoa, the Virgin Islands, the Trust Territory of the Pacific Islands, and the Northern Mariana Islands.

Mr. HAWKINS. We are very pleased to open the hearing with the Lieutenant Governor of the State of New York, the Honorable Alfred DelBello. You may proceed as you so desire.

STATEMENT OF HON. ALFRED DelBELLO, LIEUTENANT GOVERNOR, NEW YORK

Mr. DELBELLO. Thank you, Mr. Chairman, and members of the subcommittee.

You have my full written testimony. I have prepared highlights of that testimony which I would like to read at this time. I should also note that I am testifying on behalf of Gov. Mario Cuomo, who is in Washington, D.C. while you are up here. He has also asked me to manage the new jobs training program for him and to coordinate the State effort.

So the responsibility for jobs and job training is very personal to me at this time. But I do welcome the opportunity to testify here today in support of legislation which will create jobs in the public sector to meet this critical need in New York State and in this Nation.

We all recognize that a great national debate has gone on over the past 2 years between competing theories of economics. Charges and counter charges are being leveled as to whom is responsible for the current severe recession and unemployment. But determining responsibility is not the issue today. We are here today because there is an unemployment crisis in our country and in our State and we need to implement an immediate response to it.

Approximately 700,000 New Yorkers are unemployed. Thousands more of so-called discouraged workers have left the rolls and are not counted. Nationally, 11.4 million people are without jobs.

If this magnitude of suffering were caused by the forces of nature such as a flood or a fire, it would be declared a national disaster by our Federal and State Government and immediate response, sufficient to deal with the magnitude of the problem would be undertaken.

How is it so different than when a disaster is caused by political and economic forces beyond the control of the individuals and families that it devastates?

Our President has thus far only reluctantly turned an ear to the cries of our people who are hurting.

He has acted as if this national disaster of unemployment is somehow less devastating to our people than the floods he visited a few weeks ago in Louisiana, where he helped load sandbags.

In the name of some ideological purity, the President is saying that Government ought not to respond to this unemployment crisis with the full force of its resources—to fill sandbags to hold back the economic floodwaters; instead he is telling our unemployed to keep swimming, to "hang in there" month after month, as the alleged "economic indicators" are "turning the corner".

A homeless, jobless person takes little pleasure in the fact that the Dow Jones Industrial average is now at 1100. Clearly the need is now, the national disaster is now. We are long overdue in doing something substantial and direct about it.

As I have said, in 1982 nearly 700,000 New Yorkers were out of work at any given time. Approximately 2.1 million in our civilian labor force experienced a period of joblessness at some time during the year. On the average, they were out of work for 16½ weeks, or nearly a third of the year.

Significantly, 93 percent of these were involuntary; that is, only 7 out of every 100 of the unemployed left their jobs voluntarily.

Industries which were considered indestructible, upon which whole communities were based, have collapsed. The prognosis for their early return is not favorable.

As expected, the effect of this unemployment has not been distributed equitably among our State's population. Minority group members sustained jobless rates in excess of 13 percent, as compared to 8.6 percent for the total local work force.

Youth, between the ages of 16 and 19, represent only 7 percent of our work force, but 20 percent of our unemployed.

Overall it is estimated that in excess of 1 million people in New York State need and would be eligible, under the guidelines set by Congress, for job training and public or private sector job creation initiatives.

It is important to note as well, that the effects of unemployment ripple through all facets of our society. To the economic costs of lost incomes, foregone consumption and added public expenditures for income maintenance, must be added the costs of dealing with family stress, physical and mental illness, crime, alcoholism, and suicides.

New York State spends over $12 billion a year on corrective and social programs through welfare, unemployment insurance, mental health, criminal justice and substance abuse. This is a critical fact to consider when determining the actual overall cost of a jobs program.

The unemployment situation pictured above is only one element in the need being addressed by this pending legislation. The second key is the need for public services. Public works needs have been much discussed recently, and estimates, such as $700 billion needed between now and 1990 for highway repairs and construction, are known to this committee and others.

In New York, our administration intends to generate $10 billion in new investment in our infrastructure in the next 5 years, starting with a $1.25 billion infrastructure bond issue.

We are seeking to generate $4 billion for water systems and $1 billion for investment in schools, hospitals, and housing, to maintain and revitalize our communities. Visionary as these goals may seem, they will not fully meet our needs.

Our needs in the public service area, however, go beyond maintenance and construction. We need public service jobs that provide vital human services.

Staffing for day care centers which permit parents to hold down jobs or participate in job training, early intervention programs for juvenile delinquents which seek to hold down the levels of crime and numerous other social needs could be addressed with the aid of a sufficiently flexible job creation program targeted to vital services. What then should be our approach to these goals?

If the immediate needs can be summarized as having too many people out of work, too few jobs to put them to work, and a vast reservoir of public services needed to be done; then an immediate solution is, obviously, to put the unemployed to work to provide the needed service; that is, a jobs creation program tied to vital public services.

The long-term solutions, recognizing the changing nature of our economy and the jobs it will produce, involve job training, economic development, and revitalization.

An ongoing process of review and evaluation must be put in place to assure that the job creation program remains linked to services needed to improve the economy and general welfare of the State's citizens, and that the job training program remains a productive partner in an overall economic development effort.

States can and should play a strong role in facilitating the implementation of job creation programs, and insuring the integrity and efficiency of Federal fund utilization.

The issue of administrative and fiscal accountability has not been fully addressed by any of the major proposals before the subcommittee. The perception of abuse in CETA-PSE programs, is one area of great vulnerability in the promotion of job creation programs.

For this reason, we recommend that States be the conduit for job creation funds to localities. To ensure adequate services for areas of greatest need, funding parameters for local programs could be set by Federal statute.

However, Governors, in consultation with local elected officials, should be given authority for establishing criteria for program activities within localities which would enhance the overall employment and economic goals of the State, and, at the same time, tailor these activities to local needs.

Both H.R. 1060 and H.R. 116 would vest in States the responsibilities outlined above. H.R. 116 also provides for involvement of the JTPA State Job Training Council in the planning process; this would ensure broad-based input regarding the nature and scope of job creation activities undertaken within the State.

We also recommend that States assume responsibility for program oversight. This is the most feasible way to insure ongoing program and fiscal accountability.

Despite early concerns about a State "takeover" of training programs, JTPA sets an important precedent for meshing State and local concerns into a balanced, cohesive partnership. We believe this partnership can also be the avenue for optimizing the effectiveness of new job creation programs.

If this is to be effective we must be able to respond quickly.

One of the most basic measures of the ability of any job creation legislation to respond to the immediate needs of the unemployed is adequate funding. Of the major bills before the subcommittee, H.R. 1036 introduced by Chairman Hawkins and H.R. 1060 introduced by Mr. Washington would provide the highest authorizations, $5 billion and $9 billion, respectively.

We are concerned, however, that fears over spiralling deficits may preclude the higher amount proposed by Mr. Washington; thus we view the level authorized by H.R. 1036 as being more feasible. We find the authorization level of $182 million in H.R. 1046 to be woefully inadequate.

It is absolutely essential that job creation programs have a built-in capacity for immediate startup to dovetail with downturns in the economy. This can best be accomplished by utilizing existing administrative systems.

Accordingly, we do not support the establishment in H.R. 777 of local governing boards to administer programs at the local level.

There are already numerous local boards and councils and therefore, appointment of a new entity is unnecessary and no doubt duplicative.

In addition, as noted above, H.R. 777 would not authorize funding until fiscal year 1985, thus precluding immediate implementation.

The other major proposals would pose no major barriers to implementation, although we maintain that States can play an indispensable role in insuring a smooth and orderly startup.

In view of the limited resources that are likely to be appropriated for job creation, we recommend targeting program funds to those who are most in need.

The long-term unemployed, including those who have exhausted all State and Federal UI benefits, are least attractive to employers and, therefore, face the greatest barriers to job market reentry.

H.R. 1036 features the most stringent eligibility criteria of the major bills under consideration, and therefore represents the most realistic approach.

Such an approach may appear unresponsive to the more recently unemployed; however, with the expectation of directly creating only one million jobs nationally through H.R. 1036, which authorizes $5 billion, limited eligibility is compulsory.

Since the beginning of the Federal supplementary compensation program, more than 190,000 persons have exhausted FSC benefits in New York State. Thus, our State alone could potentially fill 20 percent of the jobs created by H.R. 1036 with FSC exhaustees. Notwithstanding the above, New York State must continue to address the needs of displaced workers who lose jobs through the result of foreign imports.

We see the need for the reauthorization of such funds as were recently used to assist those in Lackawanna, in the Erie area.

In addition, a new form of unemployment is beginning to emerge in New York, creating displaced workers as the result of conglomerate takeovers. This phenomenon is an immediate problem for workers in Yonkers, and an issue both moral and economic that has not been addressed to date.

The types of activities will be another critical question. Allegations of "make-work" notwithstanding, a pivotal factor in insuring equitable access for all categories of unemployed persons is that allowable projects be sufficiently diverse.

Proposals which focus solely on infrastructure repair will not permit equitable access for women, youth, and older workers who are also prevalent among the ranks of the long-term unemployed.

While it is important to place priority on services which are most essential, there is a tremendous unmet need for health, child care, and other human services.

With careful planning and monitoring, "make-work" can be avoided, while at the same time insuring equality of access for a broader spectrum of the unemployed. States are well equipped to provide appropriate guidance and direction in this area.

We also strongly believe that training must be an integral part of job creation, and thus support the training provisions in H.R. 116 and H.R. 1060.

Increased authorizations for JTPA would logically be the primary mechanism for enhancing training and retraining opportunities for the unemployed.

Furthermore, there is a vast inventory of unfunded local projects that have a direct relationship to improving the quality of life and thereby the climate necessary for attracting and maintaining private sector activity.

A final important issue for any program will be the allocation of resources among States. Since we are considering jobs creation legislation as addressing the needs of both unemployment and public services, the allocation formula should address both factors.

Rather than focusing solely on relative unemployment figures, a formula should be developed incorporating the level of need for service, the relative cost of such service, and the level to which the State or community is attempting to meet such needs.

New York's citizens are among the most heavily taxed in the Nation due to our relatively low ratio of Federal Government spending to taxes paid, to the high cost of services and to our commitment to maintaining public services.

In fiscal 1979, 34 States received a more favorable return according to a study by the U.S. Department of Commerce.

New York State has taken the initiative over the years to provide needed services despite the cost. We in New York have done more and our citizens have willingly sacrificed. Perhaps that is why New York's unemployment rate is below the national average, which once again, for the purpose of funding under current formulae, could have a negative effect.

In our view the funding formulae should reward States who have maintained services and who continue to strive to provide for their citizens despite massive budgetary problems.

Furthermore, unemployment rates do not fully reflect unemployment numbers. A below national average rate for New York State fails to reflect the fact that 700,000 people are without jobs, and that numerous more have given up and dropped out of the labor market.

Within States we do not believe that eligibility should be offered to all units of local government which meet certain population criterion, as in H.R. 1036 and H.R. 777. Rather, units of local government should be selected based on their unemployment levels, numbers of unemployed, and public service needs.

Any legislation which uses per capita income as a criterion would discriminate against New York City and many other large metropolitan areas which have relatively high per capita income despite high levels of unemployment. Thus, H.R. 1046 would be unsatisfactory in this regard.

To summarize then the major recommendations I have presented.

First, a commitment to an immediate and continued use of federally supported jobs to provide vital public services as part of an overall strategy to combat unemployment.

Second, flexibility for States to approve those public jobs programs which contribute services consistent with State and local needs.

Third, a continued role for the States in the administration of these programs to assure the most efficient use of funds in accordance with the objectives of the program.

Fourth, flexibility to provide for participants' services designed to successfuly transition them into unsubsidized employment.

Fifth, funding allocations which recognize the degree of unemployment, the level of need for public services, the cost of services and the level of effort put forth by the State to provide services.

[The prepared statement of Alfred B. DelBello follows:]

PREPARED STATEMENT OF ALFRED B. DELBELLO, LIEUTENANT GOVERNOR, STATE OF NEW YORK

Mr. Chairman, Members of the Subcommittee, I welcome the opportunity to testify here today in support of legislation which will create jobs in the public sector to meet two critical needs in New York State and the Nation.

We all recognize that a great national debate has gone on over the past two years between competing theories of economics. Charges and countercharges are being leveled as to who is responsible for the current severe recession and unemployment. But determining responsibility is not the issue today. We are here today because there is an unemployment crisis in our country and in our state, and we need to implement an immediate response to it.

Approximately 700,000 New Yorkers are unemployed. Thousands more of so-called discouraged workers have left the rolls and cannot be counted. Nationally 11.4 million people are without jobs.

If this magnitude of suffering were caused by the forces of nature, such as a flood or fire, it would be declared a natural disaster by our Federal and State government, and an immediate response, sufficient to deal with the magnitude of the problem would be undertaken.

How is it so different than when disaster is caused by political and economic forces beyond the control of the individuals and families it devastates. Our President has thus far only reluctantly turned an ear to the cries of our people who are hurting.

He has acted as if this national disaster of unemployment is somehow less devastating to our people than the floods he visited a few weeks ago in Louisiana, where he helped load sandbags.

In the name of some ideological purity, the President is saying that government ought not to respond to this unemployment crisis with the full force of its resources—to fill sandbags to hold back the economic floodwaters; instead he is telling our unemployed to keep swimming, to "hang in there" month after month, as the alleged "economic indicators" are "turning the corner".

A homeless, jobless person takes little pleasure in the fact that the Dow Jones Industrial average is now at 1100. Clearly the need is now, the national disaster is now. We are long overdue in doing something substantial and direct about it.

THE NEEDS

As I have said, in 982 nearly 700,000 New Yorkers were out of work at any given time. Approximately 2.1 million in our civilian labor force experienced a period of joblessness at some time during the year; on the average they were out of work for 16½ weeks, or nearly a third of the year. Significantly, 93 percent of these were involuntary, that is only 7 out of every 100 of the unemployed left their jobs voluntarily. Industries which were considered indestructible, upon which whole communities were based, have collapsed, and the prognosis for their early return is not favorable.

As expected, the effect of this unemployment has not been distributed equitably among our State's population. Minority group members sustained jobless rates in excess of 13 percent, as compared to 8.6 percent for the total local work force.

Youth, between the ages of 16 and 19, represent only 7 percent of our work force, but 20 percent of our unemployed. Their unemployment rate averaged 22 percent, with black youth averaging 40 percent and last month, January 1983, 50 percent of the black youth in our labor force could not find employment.

The long-term effects of this situation, given that today's youthful worker is the backbone of our future labor force, is unknown, but hardly pleasant to contemplate. For that reason, legislation tailored to youth needs, such as the American Conservation Corps, is particularly relevant. New York State us currently considering companion legislation.

Overall it is estimated that in excess of one million people in New York State need and would be eligible, under the guidelines set by Congress, for job training or public or private sector job creation initiatives.

We remain in recession, prospects for a strong national recovery in 1983-84 are not in the forecasts of either governmental of private sector economists. Further we must recognize that unemployment rates will remain high even as the recovery begins, since firms will first increase the hours worked by those who are employed before calling back laid off workers or hiring new workers.

It is important to note as well, that the effects of unemployment ripple through all facets of our society. To the economic costs of lost incomes, foregone consumption and added public expenditures for income maintenance, must be added the costs of dealing with family stress, physical and mental illness, crime, alcoholism and suicides, all of which are increasingly being documented as rising as a factor of increased unemployment. New York State spends over $12 billion a year on corrective and social programs through welfare, unemployment insurance, mental health, criminal justice and substance abuse; this is a critical fact to consider when determining the actual overall cost of a jobs program.

The unemployement situation pictured above is only one element in the need being addressed by this pending legislation. The second key is the need for public services. Public works needs have been much discussed recently, and estimates, such as $700 billion needed between now and 1990 for highway repairs and construction, are known to this Committee and others. In New York, our administration intends to generate $10 billion in new investment in our infrastructure in the next five years, starting with a $1.25 billion Infrastructure Bond issue. We are seeking to generate $4 billion for water systems and $1 billion for investment in schools, hospitals and housing, to maintain and revitalize our communities. Visionary as these goals may seem, they will not fully meet our needs.

Our needs in the public service area, however, go beyond maintenance and construction. We need public service jobs that provide vital human services. Staffing for day care centers which permit parents to hold down jobs or participate in job training, early intervention programs for juvenile delinquents which seek to hold down the levels of crime and numerous other social needs could be addressed with the aid of a sufficiently flexible job creation program targeted to vital services. What then should be our approach to these goals.

PROPOSED APPROACHED

If the immediate needs can be summarized as having too many people out of work, too few jobs to put them to work, and a vast reservoir of public services needed to be done; then an immediate solution is, obviously, to put the unemployed to work to provide the needed services, i.e. a jobs creation program tied to vital public services.

The long-term solutions, recognizing the changing nature of our economy and the jobs it will produce, involve job training, economic development and revitalization. What is hard and critical is the balance between the two. We believe that both job creation and job training programs need to be available to the States to combat unemployment. An ongoing process of review and evaluation must be put in place to assure that the job creation program remains linked to services needed to improve the economy and general welfare of the State's citizens, and that the job training program remains a productive partner in an overall economic development effort. Further we believe that the States are in the best position to do this.

STATE ROLE

States can and should play a strong role in facilitating the implementation of job creation programs, and ensuring the integrity and efficiency of federal fund utilization. The issue of administrative and fiscal accountability has not been fully addressed by any of the major proposals before the subcommittee; the perception of abuse in CETA-PSE programs, is one area of great vulnerability in the promotion of job creation programs.

For this reason, we recommend that states be the conduit for job creation funds to localities. To ensure adequate services for areas of greatest need, funding parameters for local programs could be set by Federal statute. However, Governors, in consultation, with local elected officials, should be given authority for establishing criteria for program activities within localities which would enhance the overall employment and economic goals of the State, and, at the same time, tailor these activities to local needs.

Both H.R. 1060 and 116 would vest in states the responsibilities outlined above. H.R. 116 also provided for involvement of the JTPA State Job Training Council in the planning process; this would ensure broad-based input regarding the nature and scope of job creation activities undertaken within the State.

We also recommend that states assume responsibility for program oversight. This is the most feasible way to ensure ongoing program and fiscal accountability.

Despite early concerns about a state 'takeover' of training programs, JTPA sets an important precedent for meshing state and local concerns into a balanced, cohesive partnership. We believe this partnership can also be the avenue for optimizing the effectiveness of new job creation programs.

RESPONSIVENESS TO IMMEDIATE NEEDS

One of the most basic measures of the ability of any job creation legislation to respond to the immediate needs of the unemployed is adequate funding. Of the major bills before the subcommittee, H.R. 1036 introduced by Chairman Hawkins and 1060 introduced by Mr. Washington would provide the highest authorizations ($5 billion and $9 billion, respectively).

We are concerned, however, that fears over spiralling deficits may preclude the higher amount proposed by Mr. Washington, thus we view the level authorized by H.R. 1036 as being more feasible. We find the authorization level of $182 million in H.R. 1046 to be woefully inadequate.

SPEED OF IMPLEMENTATION

It is absolutely essential that job creation programs have a built-in capacity for immediate start-up to dovetail with downturns in the economy. This can best be accomplished by utilizing existing administrative systems.

Accordingly, we do not support the establishment in H.R. 777 of local governing boards to administer programs at the local level. There are already numerous local boards and councils and thefrefore, appointment of a new entity is unnecessary and no doubt duplicative. In addition, as noted above, H.R. 777 would not authorize funding until FY '85, thus precluding immediate implementation.

The other major proposals would pose no major barriers to implementation; although we maintain that states can play an indispensable role in ensuring a smooth and orderly start-up.

PARTICIPANT ELIGIBILITY

In view of the limited resources that are likely to be appropriated for job creation, we recommend targeting program funds to those who are most in need. The long-term unemployed, including those who have exhausted all State and Federal UI benefits, are least attractive to employers and therefore face the greatest barriers to job market re-entry H.R. 1036 features the most stringent eligibility criteria of the major bills under consideration, and therefore represents the most realistic approach.

Such an approach may appear unresponsive to the more recently unemployed; however, with the expectation of directly creating only 1 million jobs nationally through H.R. 1036, which authorizes $5 billion, limited eligibility is compulsory. Since the beginning of the Federal Supplementary Compensation program, more than 190,000 persons have exhausted FSC benefits in New York State. Thus our State alone could potentially fill 20% of the jobs created by H.R. 1036 and with FSC exhaustees. Not withstanding the above, New York State must continue to address the needs of displaced workers who lost jobs through the result of foreign imports. We see the need for the reauthorization of such funds as were recently used to assist those in Lackawanna in the Erie area.

In addition, a new form of unemployment is beginning to emerge in New York, creating displaced workers as the result of conglomerate takeovers. This phenomena is an immediate problem for workers in Yonkers, and an issue both moral and economic that has not been addressed to date.

THE TYPES OF ACTIVITIES WILL BE ANOTHER CRITICAL QUESTION

Allegations of "make-work" notwithstanding, a pivotal factor in ensuring equitable access for all categories of unemployed persons is that allowable projects be sufficiently diverse. Proposals which focus solely on infrastructure repair will not permit equitable access for women, youth and older workers who are also prevalent among the ranks of the long-term unemployed.

While it is important to place priority on services which are most essential, there is a tremendous unmet need for health, child care and other human services. With careful planning and monitoring, "make-work" can be avoided, while at the same time ensuring equality of access for a broader spectrum of the unemployed. States are well-equipped to provide appropriate guidance and direction in this area.

We also strongly believe that training must be an integral part of job creation, and thus support the training provisions in H.R. 116 and 1060. Increased authorizations for JTPA would logically be the primary mechanism for enhancing training and retraining opportunities for the unemployed.

Furthermore, there is a vast inventory of unfunded local projects that have a direct relationship to improving the quality of life and thereby the climate necessary for attracting and maintaining private sector activity.

TARGETING OF RESOURCES

A final important issue for any program will be the allocations among states of resources.

Since we are considering jobs creation legislation as addressing the needs of both unemployment and public services, the allocation formula should address both factors. Rather than focusing solely on relative unemployment figures, a formula should be developed incorporating the level of need for service, the relative cost of such service, and the level to which the state or community is attempting to meet such needs.

New York's citizens are among the most heavily taxed in the nation due to our relatively low ratio of Federal government spending to taxes paid, to the high cost of services and to our commitment to maintaining public services. In Fiscal '79, 23 states received a more favorable return according to a study by the U.S. Department of Commerce.

New York State has taken the initiative over the years to provide needed services despite the cost. We in New York have done more and our citizens have willingly sacrificed. Perhaps that is why New York's unemployment rate is below the national average, which once again, for the purpose of funding under current formulae, could have a negative effect.

In our view the funding formulae should reward states who have maintained services and who continue to strive to provide for their citizens despite massive budgetary problems.

Furthermore, unemployment rates do not fully reflect unemployment numbers. A below national average rate for New York State fails to reflect the fact that 700,000 people are without jobs, and that numerous more have given up and dropped out of the labor market.

Within states we do not believe that eligibility should be offered to all units of local government which meet certain population criterion, as in H.R. 1036 and 777. Rather units of local government should be selected based on their unemployment levels, numbers of unemployed and public service needs.

Any legislation which uses per capita income as a criterion would discriminate against New York City and many other large metropolitan areas which have relatively high per capita income despite high levels of unemployment. Thus H.R. 1046 would be unsatisfactory in this regard.

SUMMARY OF MAJOR RECOMMENDATIONS

1. A commitment to an immediate and continued use of federally supported jobs to provide vital public services as part of an overall strategy to combat unemployment.
2. Flexibility for states to approve those public jobs programs which contribute services consistent with state and local needs.

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3. A continued role for the States in the administration of these programs to assure the most efficient use of funds in accordance with the objectives of the program.

4. Flexibility to provide for participants services designed to successfully transition them into unsubsidized employment.

5. Funding allocations which recognizes the degree of unemployment, the level of need for public services, the cost of services and the level of effort put forth by the state to provide services.

Mr. DELBELLO. I thank you very much for the opportunity to testify. My written statement has a number of other statistics and details in it that I feel would be relevant.

Mr. HAWKINS. Thank you, Lieutenant Governor.

The Chair would like to deviate for a minute or two at this point. First of all, an oversight at the beginning of the hearing. I did not identify the other members of the committee. Seated to my right is Mr. Paul Simon, a Representative from Illinois. And to the far left, Mr. Martinez from the State of California.

I should like to again indicate that the committee is in New York City today at the request of your Congressman, Mr. Biaggi. At this time I would like to turn the gavel over to Mr. Biaggi who will be chairing the hearing this afternoon.

Thank you.

[The opening statement of Congressman Hawkins follows:]

OPENING STATEMENT OF HON. AUGUSTUS F. HAWKINS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

I am pleased that the Subcommittee on Employment Opportunities is here in New York City today to hear testimony on the various job creation proposals pending before the Subcommittee. This hearing is the first in a series of hearings on this important issue.

With unemployment at record high levels, I believe it is particularly timely that the Subcommittee consider the need for short-term job creation measures to assist the millions of unemployed individuals who cannot find work in this depressed economy. Speedy enactment of a job creation proposal is necessitated by the grossly inadequate levels of support for programs to assist the unemployed and the growing numbers of the long term unemployed. In fact, for the last quarter of 1982, an estimated 4½ million individuals were counted as long-term unemployed. Coupled with projected high levels of unemployment, there needs to be a national commitment to assist these millions of needy individuals as quickly as possible.

We will hear testimony today from individuals who foresee a need not only for a short-term job creation initiative, but also for a comprehensive, long-term employment strategy to combat the record high levels of unemployment.

Before we call on Lt. Governor Del Bello as our leadoff witness, I would like to recognize my colleagues on the Subcommittee, Representatives Biaggi, Simon and Martinez, and give them an opportunity to make brief comments.

At this time, I would like to recognize Mr. Biaggi who requested that the Subcommittee come to New York City to conduct this hearing. We are delighted to be here today. I would like to turn the gavel over to you at this time.

Mr. BIAGGI [presiding]. Thank you very much, Mr. Hawkins.

We are grateful on behalf of the city that you have agreed to have the hearing here and to my colleagues, Mr. Simon and Mr. Martinez, for their interest in this matter.

Clearly, New York City is an area that cannot be overlooked in the deliberations of this nature. I am sure there are many other cities that require and deserve the kind of attention that we have been successful in obtaining but I am sure that if time permits and circumstances allow, Chairman Hawkins will respond to those areas in addition to the many hearings he has had so far. I would like to belatedly welcome my dear friend, Lt. Gov. Alfred DelBello.

I compliment you for your statement and recommendations and at least when we have had our intellectual differences, it has always been productive, if you approach the issue on a constructive basis.

You make reference to the abuses in CETA. I understand that the abuses in CETA were at the outset when the program came into being initially and there were some abuses but, unfortunately, despite the fact that Congress corrected those abuses, CETA was working very well when it was ultimately terminated. The stigma, however, lasts.

But I just want to note for the record that CETA was an effective and productive program and when it finally ended because of the administration's lack of support for it and the absence of appropriate funding it was a well organized and well administered program and those abuses have long since been eliminated.

It is unfortunate that the initial impressions ofttimes last and they are exploited by those who might have been against the entire principle in the first place.

You make reference to New York being below the national average and we understand that. But we do have a number of hard core pockets of poverty. If this program is to be administered by the State would you see the State recognizing the high unemployment rates in the pockets of poverty rather than on a local total entity?

Mr. DELBELLO. Without question I do believe that the Federal legislation ought to have criteria to require that the funds be appropriated on a basis of need. Recognizing the standards that I identified in this testimony, in addition to which there are State efforts, I am sure there exists in every State, not just New York State, systems in place which are the result of the new JTPA program which had its founding in the CETA program.

So most States are pretty well organized in the method by which training and job need identification has been organized in those States.

What I am encouraging here is, No. 1, not that the Federal Government relinquish its responsibility to assure that the money goes to places of greatest need but that you use the process of getting it through the State so that we have the State systems which are already in place operating and we don't have to replace them.

We have the oversight auditing and accountability processes that are in place reacting to the new program and we don't have to duplicate those either.

And, although I didn't emphasize it in my testimony, gives us the ability to leverage a significantly greater amount of money into the areas of greatest need.

I am sure every one of our 50 States has some sort of a State effort, whether it be public works or construction program or an inhouse job training program or a social service, emphasize targeting on their areas of need in addition to which we have Federal funds now coming in from a number of different sources.

If we combine those we get a leveraging effect or a much greater impact and I think the State level of government, through its JTPA and its other agencies, are best able to coordinate the flow of these resources and in the case of New York State I did mention Lackawanna, our area of greatest devastation is our western region today with 13 to 15 percent unemployment, existing over a very large area.

We, as a State and as a result of Mario Cuomo's own insistence, have identified that as a high critical needs area for the State. So it would be natural for the State to not only see to it that the Federal funds are flowing as they should to areas of need but I think we could combine it with other resources to help make this act even more effective.

Mr. BIAGGI. I know that you mentioned Lackawanna in the paragraph following which you in the interest of time omitted but also make reference to Yonkers, which addresses itself to a new form of unemployment which is beginning to emerge by the acquisitions of smaller companies by large conglomerates.

My judgment is, this is an area that has been neglected. We just assume that it is a regular part of business, free enterprise is swallowing up these smaller companies but in the end what they are doing is affecting, in very traumatic fashion, the small communities which ofttimes have only one employer and could well put that whole town out of kilter as far as the economics is concerned.

I think it is an issue that all of us should address in the future. It relates tangentially to this legislation but it is one that I believe that Governors as well as the Members of the Congress should look to and see what kind of resolution could be obtained to deal with this matter.

I congratulate you on noting this Yonkers situation.

Mr. DELBELLO. I strongly agree. I happen to think our Federal policies with regard to tax breaks for the large corporations are misplaced, not that we shouldn't be inducing more economic activity by tax reductions wherever possible, but there are no guidelines for those reductions so they have induced acquisitions more than ever before in our history.

I know one corporation that bought out another corporation in order to close it to avoid competition because they took advantage of all the breaks that are coming in today just to wipe out a competitor, totally wipe it out without regard to the numbers of outlets and jobs that that competitor had going for it.

In the case of Otis Elevator, Otis being a hometown company located in the city in which the elevator was invented, having received a great deal of public support from the Federal, State, and local government through urban renewal efforts to keep it there, got swallowed up by the United Technologies Corp. and in the United Technologies scheme of things which are so large and worldwide that the location of that plant apparently just didn't seem too practical to them and without notice they closed it. In fact, without notice, espousing the exact opposite that they wouldn't close it, they then turned around and closed it.

And, yes, I think it would be appropriate for Congress to take a look at that, not necesarily intruding in the private sector of the free enterprise system but setting some guidelines when business activities tend to ignore certain rules of propriety and certain responsibilities to communities and employees I think guidelines would be appropriate at this time.

Mr. BIAGGI. Especially in light of the fact that $14 million of taxpayers money is involved in that whole transition.

Interestingly enough, Otis says it is going out of business because it doesn't have work. It is a losing proposition and ironically my office received an annual report from United Technology that addresses itself to Otis Elevator and described it as a very profitable piece of business with great prospects and went on and on to deceive the stockholders, really.

The representation made in the annual report clearly is in direct conflict with the posture that it made publicly in the current closing process of Otis.

Mr. DELBELLO. That is why we have some very serious questions and we thank you very much, as the Congressman probably most affected by the particular closing, for taking the tremendous interest you have in it.

We are going to need your Federal help, State help, and local help to resolve that problem.

Mr. BIAGGI. Thank you.

Mr. Hawkins.

Mr. HAWKINS. Lieutenant Governor, the thing that disturbs me the most about one of your suggestions, and may I say, I generally agree with most of your recommendations, however, you make the recommendation that States be a conduit for job creation funds and localities.

Then you indicate that Governors in consultation with local elected officials should be given authority for establishing criteria, et cetera.

When you use the word States are you including the legislatures as well or are you saying that the Governor himself should be the conduit for job creation activities. This has been of great concern to this subcommittee.

It is not what role the State legislature would play if you give to the Governor that authority at the State level.

Are you suggesting a combination? If so, what role would you have the local elected officials play? In other words, in every metropolitan area, whether it is city or county, you have a governing body which is physically and programmatically responsible for activities at the local level and who don't want to see another bureaucracy placed between them and the Federal Government just the same way that the State doesn't want to see too much interference.

It is not so clear to me how this would operate.

Mr. DELBELLO. I would not involve either State or local legislatures in the ministerial portion of the program. As far as a legislative prerogative, they should be willing to either accept or not accept the program and then leave it to the chief executive to administer the program, whatever it might be.

That is just a basic format that I think is appropriate for government.

My concern here, basically, is directed at an infrastructure today for job training and job creation. And at one time under the old CETA program it was left to the local governments to create the CETA councils and what was called the manpower councils in those days. That was done by local initiative. In the wisdom of Washington it is now done by PIC councils. It is no longer the local government being involved but that infrastructure is in place.

There is a local PIC council and a State council. The Governor appoints a State council. In New York State we have five agencies on the council that impact on the policies that will be used from a State to a local level with regard to the allocations and the training programs.

I strongly recommend we have some job training, job development aspects and that it not just be a public works program that looks to permanent placement even though we need immediate effects of putting people into public works right now. Coming in with another pocket of money and duplicating a system or creating a parallel system will create a great deal more confusion and waste both at the State level and the local level.

So what I am recommending is that we tie the two as closely as we possibly can together, if not actually overlap them or cause one to service both programs.

Just from the standpoint of efficiency and understandability, I think it would be much better from a production standpoint because every time we have to create another process we are creating another bureaucracy and there is a built-in delay and there is waste.

One of my greatest concerns in government over the years that I have been involved with government is: Don't change the system so often. Let us get a system in place and get accustomed to using it and debug it and keep it there so we can use it. Don't create too many systems.

I happen to agree one of the best systems we have is our local government. We have it organized. We have legislatures. We have chief executives. If it was up to me I would probably pass most of these program funds through the local government structure rather than through the State. Whether we like it or not, the JTPA system is now in place and is being perfected.

I would suggest we strengthen it with as much support financially as we can and that we add to it whatever other requirements these bills have by way of immediate production of jobs in the public sector.

Mr. HAWKINS. I would sympathize with your reasoning; however, I disagree with your characterization of what is actually happening now.

In the Job Training Partnership Act we actually created a partnership. It is not true that it is the PIC that dominates. It is a partnership in which the PIC is selected by the local governing body which, in most areas, would be a city council or a board of supervisors. The PIC and the local elected official operate with joint authority under an emergency type of system which H.R. 1036 envisions. There is a direct relationship between the Federal money going to a local governing body which is already created, a city, county or State entity. Their specific roles are clearly defined so that each has a role to play and nothing new is created, which is the most direct way of getting the money out.

It would seem to me that that has some advantages, particularly in view of the fact that the money is needed now and not next year or the year after. That is the rationale there.

You may or may not agree with it but that at least is the rationale behind it.

Mr. **DelBello.** Excuse me. I didn't mean to imply that I disagreed with that. I disgreed with one of the bills which was creating another local jobs bill. That would have been very duplicative. I do believe the best structure we have is our government structure as it stands today and it can be utilized appropriately for this.

I do want to see it tie in with PIC's because even though the PIC is a jointly created board under the JTPA they do develop the job training program that goes directly to the State council and is commented on by the State council and approved by the Governor.

So they do have a very significant role to play because they actually create the program at the local level which will induce the funding and the support. So it tends to be relatively outside government to a great degree.

Mr. **Hawkins.** That suggestion certainly will be given consideration. If there is some merit in it it is possible in the long range that that could be accomplished.

Once or twice you mentioned under H.R. 1036 an authorization of $5 billion. I think that perhaps it gives the impression that that is the maximum authorization which is made under that legislation. The bill actually provides the $5 billion for this fiscal year on a full year basis; it is geared to 20 percent of the long-term unemployed which currently would mean 20 percent of roughly a 5 million number of the long-term unemployed, those unemployed longer than 15 weeks. So that would authorize in the neighborhood of $9 billion on a full year basis. The $5 billion refers only to that amount which would be allocated in the current fiscal year which would commence on October 1.

I just wanted to correct any impression that that was a total authorization.

Mr. **DelBello.** I didn't realize that myself but it makes me like it all the more.

Mr. **Hawkins.** But I think it was in the direction that you had recommended. That is the reason that I wanted to suggest that.

Mr. Chairman, thank you. I yield back the balance of my time.

Mr. **Biaggi.** Mr. Simon.

Mr. **Simon.** Thank you.

First of all, as a former Lieutenant Governor, I am pleased to welcome the Lieutenant Governor of New York and I might add we have at least three other Lieutenant Governors in Congress, Glenn Anderson, and Merv Dymally from your State of California, and Harry Reid, the new Member from Nevada.

Mr. **DelBello.** You have made my day.

Mr. **Hawkins.** Look what you are looking forward to.

Mr. **Simon.** Your future may be a weak one.

I have one comment and then a question. I comment on what you and Mario Biaggi were talking about on the corporate merger problem. This is a problem and is related to this jobs bill thing we are talking about.

When United States Steel spends $6½ billion to buy Marathon Oil, it soaks up the credit market and does not produce one single job. It simply concentrates economic power in this country.

Ten years ago, of the Fortune 500 corporations, 400 of the corporations controlled two-thirds of the corporate wealth in this country.

We are now down to 200 and the trend is simply not a healthy trend. Free enterprise implies competition and what we are doing through our tax laws and in other ways is making it more attractive for corporations like United States Steel to instead of doing research, instead of building a new furnace, instead of doing things that make our country more productive, move in exactly the opposite direction. They see the easy bucks in acquisition and I agree with you and Mario completely on that.

I like your reference to the natural disaster. I haven't seen that kind of a reference before but you are absolutely right. While it is commendable when the President goes down and helps sandbag in Louisiana where there are a few homes threatened by flood, there are a heck of a lot more threatened by bankers and joblessness.

I am not picking on bankers because they have to protect their interests but we are not paying attention to the real disaster that has hit this country.

You say here on page 5 of your testimony, "The long term solutions, recognizing the nature of our economy an the jobs it will produce, involve job training, economic development and revitalization." I guess at that point I disagree not with those three factors but with what we have to recognize as a fourth reality and it is tied into a phrase that Mario used this morning talking to a reporter. I overheard you saying we are using band-aids when we need more substantial help.

I think the reality is that we are in a society where we are creating a larger and larger pool of unskilled labor and a diminishing demand for unskilled labor. I guess I shouldn't make a statement. I ought to ask you a question.

Isn't it true if that is the reality, and I think there can hardly be any question about that, that what we also need on a long-term solution is, in addition to the three things you mentioned, some kind of a permanent public service employment factor here? Call it WPA, call it what you will. And this is, frankly, what H.R. 777 is designed to do. It is not for the immediate thing.

But that we, in fact, are going to have in our society a fairly permanent unemployment because we are not going to let people starve. We face a choice of either paying them for doing nothing or creating opportunities for them to be participating members in an effective way in our society.

Am I incorrect in saying that we ought to be doing that also in the long-term picture?

Mr. DelBello. Quite honestly, I am not sure whether we ought to be doing that or not. That would be a significant step that we would be taking to interpret our future needs as requiring the institutionalization of a permanent public service jobs program. It may be required. At one time I spoke at great length as a county official on breaking up the entire welfare system as we know it in this country and this speaks almost to what you are talking about where we looked at the needs of people and we said, if they are sick they need health needs. Let's develop a health program.

And if they are without immediate funds, they need relief of some sort and that is what we characterize our old welfare program as.

But if they are unemployed, it doesn't mean they need relief and it doesn't mean they should be in our social services office. It means they need jobs. And the way we used to speak about it in those days was, you identify their need, their skills, you put them through job training. You put them through the entire private sector marketplace trying to get them work but if not then the government becomes the ultimate employer at some point along the way.

That is really what you are suggesting that the government embrace that concept as the ultimate employer.

I don't know whether I am prepared to recommend that at this point. I guess we all have that instinct that we want to see our private sector work, our free enterprise system work in such a way that that would not be required but I guess there is a reality that there are certain people who will be more than temporarily displaced and should be able to at least productively use their labor and earn their keep as opposed to taking a relief check which is debilitating and demoralizing.

To that degree I would agree with you but I think a lot more work has to be done on the way we approach unemployment in this country, the way we approach jobs and human needs as opposed to relief and medicaid, the jobs factor is an area all unto itself that we have never broken away from our welfare system and looked at exclusively.

And I guess until we do it in a comprehensive way I wouldn't endorse institutionalizing a make-work program. But if it was the end product of a comprehensive logical system of treating the whole person and what they really need by way of training, retraining, jobs opportunities, then I think I would support it.

Mr. SIMON. And if I may just add a comment here, as you look at that whole thing, I think we have to recognize the permanency of unemployment in our society. Now, we, in Congress, haven't faced up to it. Frankly, your excellent statement, and it is an excellent statement, doesn't face up to it either. And we must face up to that in our society, encouraging the private sector as much as possible.

I used to be in business. I believe in the free enterprise system. But recognizing that we are in a changing society and it doesn't make sense even from a business viewpoint, I didn't used to like to write out those checks for unemployment compensation. From the viewpoint of business it doesn't make sense to simply pile up more and more unemployment compensation, more and more welfare.

There are alternatives that we ought to be taking a look at. But, anyway, I thank you very, very much for an excellent statement.

Thank you, Mr. Chairman.

Mr. DELBELLO. Thank you.

Mr. MARTINEZ. I know you are running behind schedule. I really don't have any questions. I just want to say I agree with 99$^{9}/_{10}$ percent of what you said. I think that you have an approach that people in Congress are going to have to start taking which is that for every difficult situation there is an applicable formula by which we can resolve that problem; providing, we take our blinders off and get out of the tunnel vision. To narrow our focus so greatly on one aspect or another of the unemployment problem is sometimes not as important as looking at the broader aspects of it.

Your statement indicates that this kind of thinking is important in looking at the unemployment problem.

Mr. BIAGGI. Thank you very much, Lieutenant Governor.

Mr. DELBELLO. Thank you.

Mr. BIAGGI. Congressman, I submit my statement for the record.

[The prpared statement of Congressman Biaggi follows:]

PREPARED STATEMENT OF HON. MARIO BIAGGI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

I am pleased to welcome my colleagues here today to my home city of New York, and especially wish to commend our chairman, Gus Hawkins, for convening this hearing today. Gus has made job creation and opportunity the hallmark of his two decades of service in congress—including the Humphrey-Hawkins full employment initiative. I am honored to serve with him on his subcommittee this Congress.

In addition to Gus, I would also like to welcome my colleagues Paul Simon from Illinois and Matthew Martinez of California. My fellow New Yorker, Major Owens of Brooklyn, is serving his first term in the House and on the Education and Labor Committee. I look forward to working together with him on behalf of our common interest on this committee and on other issues as well.

Our hearing today will focus on H.R. 1039—the Community Renewal Employment Act, authored by Chairman Hawkins. It is a plan which places long-termed unemployed into short-term, meaningful work which benefits communities.

It is an accountable proposal—with jobs targeted specifically towards rebuilding highways, bridges, roads, schools and waterways.

It is a cost-effective proposal—it creates no new bureaucracy, and funds projects through existing local agencies. Dollars are targeted to areas with unemployment above 9 percent. Jobs are provided to the long-term unemployed, without work for at least 15 weeks and who have exhausted their unemployment benefits. During the last quarter of fiscal year 1982, this number was estimated to be 4.5 million persons.

Finally, it is a realistic proposal—funds are tied to the total number of long-term unemployed in the Nation and will decrease as unemployed is reduced.

We conduct this hearing on the eve of House and Senate consideration of the so-called "phase one" of the "jobs" bill—the 4.4 billion package for emergency jobs and humanitarian aid for recession victims. Frankly, I would be far happier if this bill—and any other viable job-creating bill—were considered at the same time by Congress. Unemployment is a gaping national wound—which will not be healed by the application of band-aids.

The community renewal employment bill would go a long way towards aiding New York with two of its most pressing problems—rising unemployment—and falling infrastructure. It targets funds to areas, such as New York City, which has "pockets" of unemployment well above the national average—even though our aggregate unemployment figures may fall below it. This is especially important to the structurally unemployed, particularly minority youth—who are experiencing joblessness at twice the national rate.

To dramatize the city's infrastructure problems, consider the following:

During the past 15 years, New York City streets—expected to last 50 to 100 years, are being replaced on a 300-year cycle;

The City's water mains, designed to last 80 years, are being replaced on a 296-year cycle;

Street and road disrepair is critically high—over 50,000 pothole complaints are received each year;

Faulty water systems result in 100 million gallons of water lost—each day—due to structural deficiencies; and

Forty percent—or 7,000 of our bridges are considered "structurally deficient" and would cost $100 million each year—for the next 15 years to repair.

In short, we have in this city a massive backlog—$30 billion—in community work which needs immediate attention.

There are other compelling reasons why we need to pass a Community Renewal Employment Act as a centerpiece of a comprehensive jobs strategy. We must look at the relationship between unemployment and other pressing domestic concerns, such as social security. The trust funds will never be solvent in the long run if we do not provide a stable wage contribution base into the next century. Our current economic climate makes this an impossible task. Unemployment merely exacerbates the decreasing ratio of contributing workers to beneficiaries—originally 5 to 1—now 3 to 2—and expected to be 2 to 1 by the year 2000.

It defies logic to continue to pay billions in unemployment benefits in lieu of wages for community renewal jobs—which not only rebuild our declining cities and towns, but lend stability to the social security system as well.

A third—and final reason why we need to adopt a supplemental jobs bill is that a "high-tech" job market of the future will require training and retraining of our existing workforce. Workers in declining industries will need assistance in learning new skills for new industries.

Training requires time—and money. The President's fiscal year 1984 budget request makes a mockery of this need by cutting training over $300 million from current levels. Under these conditions, a short-term jobs policy is even more important if we are to provide minimal support to those—who by no fault of their own—find their skills obsolete and their jobs vanished—or transferred to foreign labor markets.

A perfect case in point is the Otis Elevator Company in the city of Yonkers—located in the north of my district. For over a century, Otis has operated in Yonkers as an integral part of the local economy, providing jobs to almost 2,000 citizens. Today, the Otis plant is but another victim of economic recession as its parent company—United Technologies—has announced its intention to close Otis—claiming it is no longer profitable—leaving Otis workers abandoned and without recourse.

These workers—many of whom have specialized skills in an industry that no longer needs them, will require short-term jobs while we seek ways in which to bring new industry into the area, or to retrain them for new jobs.

While we can do little to thwart the will of these conglomerates and their profit-hungry shareholders, we can do something for their employees—the victims in these high-stakes games.

We can provide a social conscience—where none existed—and give layed-off factory workers and other long-term unemployed Americans an opportunity to earn a living—and help their cities, their towns and their neighborhoods at the same time.

I look forward to hearing the testimony today and want to thank all of our witnesses for appearing before us to present their views.

Mr. BIAGGI. Mr. Ronald Gault, commissioner of the department of employment. Commissioner Gault.

STATEMENT OF RONALD T. GAULT, COMMISSIONER, DEPARTMENT OF EMPLOYMENT, NEW YORK CITY

Mr. GAULT. My name is Ronald T. Gault, commissioner of the New York City Department of Employment.

I want to thank you for this opportunity, Mr. Chairman, Mr. Biaggi, Mr. Martinez, and Mr. Simon, for holding these hearings in New York City.

I think that we have a story to tell. We would like to share with you the issue of joblessness that might help to focus your current deliberations on this jobs bill.

I have prepared testimony that I have left with members of your staff and in order to save your time and the time of those who have assembled here, I will let that testimony stand for the record and simply highlight a number of points that I have made in the written material for you in this exchange.

[The prepared statement of Ronald T. Gault follows:]

PREPARED STATEMENT OF RONALD T. GAULT, NEW YORK CITY DEPARTMENT OF EMPLOYMENT

My name is Ronald T. Gault. I am the Commissioner of the Department of Employment, the agency responsible for the administration and management of Federal employment and training programs. I am happy to be here today to discuss the jobs initiatives before Congress.

Unemployment reached 10.8 percent in December 1982, a postwar record representing 12 million workers; 28 million people experienced unemployment during 1982. Numerous job creation/stimulus proposals have been introduced in Congress—including proposals for countercyclical public works, community service employment measures and fiscal assistance for State and local governments. The question facing policymakers is how to respond to chronic and persistent unemployment as well as to economic stagnation. I want to focus my remarks on the need for inclusion of training and retaining provisions in these proposals and for, in part, targetting benefits to low-skilled workers, the economically disadvantaged and youth. Given that unemployment cuts across all income groups and among workers of every skill category, I do not suggest that a structural unemployment approach be tried in isolation but as a complement to other strategies. In particular, because many States and cities face crushing budget deficits and serious service cutbacks, let me join with others in the Koch administration to request that the conditions for State and local assistance be flexible enough to allow local government to assess and meet area needs.

STRUCTURAL AND CYCLICAL UNEMPLOYMENT

There are four basic types of unemployment: Cyclical unemployment due to a slowdown in the national economy; frictional unemployment due to workers seeking better paying jobs; structural unemployment due to changes in skill requirements in the national or local economy; institutional unemployment due to characteristics of the labor market, including unionization and minimum wage laws. Public works and targetted community service employment programs aim at stimulating the economy, and preparing the cyclically and structurally unemployed for productive work.

Current economic conditions have increased the eligible pool of workers requiring re-employment and training. For example, if New York City must go through its planned workforce reductions of 10,000 employees—many of which will be low income individuals with only basic skill levels—further pressure will be placed on an already constricted local labor market. Because of these conditions, the city is no longer able to absorb Federal funding losses to the extent possible in the past. The city provided $147 million in 1983, plus a $5 million reserve, and $151 million in 1984, plus a $10 million reserve, to partially cover the Federal losses in support for day care and senior citizens programs (title XX), medicaid, health, education programs and the absorption of previously funded public service positions. With regard to public service employment alone, the city lost $178 million and converted approximately 6,000 positions to permanent city jobs at a cost of $78 million. Therefore, the revised interest in public works and community service employment programs, such as the Hawkin's bill "the Community Renewal Employment Act", is particularly timely.

Specifically, the Hawkins measure includes essential social services such as emergency food, shelter, child care, and nutrition for the elderly as well as the repair, rehabilitation and maintenance of public facilities. The city should, however, have the flexibility to use any new funds provided for essential human services to replace city funds previously allocated in order to prevent service reductions caused by the initial Reagan cuts. Further, flexibility should be provided in regard to allowable activities so that a locality can match eligible positions with growth industries in the private sector (i.,e. in New York City, clerical and computer related occupations in the financial and service sectors.) The bill provides new funding for 1983 and 1984 rather than, as other proposals, merely advancing future year's appropriations. The Hawkins bill also requires speedy implementation and therefore will serve as a rapid job creation tool. In addition to the benefits of providing temporary comunity service jobs, training should be a key component of any Federal job initiative in order to enable skill development so that workers may participate in the labor market on a long-term basis.

TRAINING AND RETRAINING

It is striking that at the same time that the President has proposed a program of accelerated Federal spending to stimulate job creation, he has proposed reductions for training and retraining in the fiscal year 1984 budget. The overall budget authority for employment and training services would be reduced by 4 percent from $3,789 billion to $3.643 billion. However, structural changes within the new program titles of the Job Training Partnership Act, most importantly the dislocated workers program, will result in a net loss of training for the disadvantaged. Specifically, in 1984 the training block grant would be reduced by 13.5 percent in budget authority to a national level of $1.886 billion; and by 31 percent in outlays to a level of $1.414 billion. Initial estimates of funding for New York City yield an allocation of $42 million, a 41-percent reduction from the $70.8 million allocated in 1983. Service levels would drop to 14,000 from the 1983 level of 23,587 participants. This represents more than a 50-percent reduction from the 33,000 service level of 1982. Although funding for the summer youth employment program would remain stable at the national level, New York City's share would drop from $30.3 million serving 41,000 participants in fiscal year 1983 to $22 million in fiscal year 1984 serving 28,820 youths. The combined reductions for training and summer youth would mean that nearly 22,000 fewer people would be served.

The reduction in funds for training occur at the same time that the national allocation for dislocated workers would be increased nearly tenfold to a level of $240 million. Although no one would debate that the present recession has created a critical need for immediate assistance to dislocated workers, neither can we ignore the fact that the same economic conditions have exacerbated the training needs of the disadvantaged. Therefore the President's budget plan is not viable to the extent that it places these two groups in the position of competing for limited Federal assistance.

The training reductions are particularly ironic given the program's success in terms of private sector employment and the resulting increase in earnings for recipients. In New York City, Federal training programs serve as a major supplier of entry-level workers in the city's economy. 1981 data show that two-thirds of the training program graduates obtained employment at the completion of training. Fully, 96 percent of these graduates were hired by the private sector. The Department of Employment (DOE) trained and placed 17,000 low income New Yorkers into jobs with local employers and, in addition, placed 13,000 directly into jobs. These services, therefore, provided an employment resource for local businesses. The men and women enrolled in DOE training programs are all economically disadvantaged unemployed city residents. Over half are out under 22 years of age and over 80 percent are black or Hispanic.

Graduates of the training programs were hired by a broad spectrum of the city's private sector. Placements were made in all boroughs, and were equally divided between large and small firms. Placements occurred in all major industrial sectors with the finance insurance and real estate sector hiring the largest share of graduates (30 percent) followed by the services sector (21 percent). The share of job placements in the finance and service sectors demonstrates that placements occur in the city's growth industries.

Lower-skilled jobs account for 57 percent of New York City's 3.5 million jobs. Since 1970, the character of the city's lower-skilled jobs has shifted from manufacturing to clerical and service jobs. There is a stable market for lower-skilled entry-level workers for which these programs provide effective training. The challenge of this brand of short-term training is that the pre-employment skills necessary for the better entry-level jobs are now more extensive and in some occupations are rapidly changing. Further reductions in Federal support will handicap our efforts to meet this challenge.

In regard to the demographics of those presently served with Federal training dollars, I want to take this opportunity to highlight the importance of providing adequate services to youth. Youth not only account for a significant part of total unemployment but also represent a cost-effective investment of training dollars in that skill development coincides with the initial stage of entry into the job market. Inclusion of youth as beneficiaries of job initiatives is also important because youth have experienced exceptionally high rates of unemployment during the current recession. In January 1983, the national rate of teenage unemployment was 22.7 percent; among black teenagers the rate was 45.7 percent.

CONCLUSION

The delicate fashioned by the White House and congressional leadership is clearly only a first step in dealing with unemployment. Federal relief must be directed to the severe employment crisis facing the Nation as well as to budgetary and service crises facing localities. In the absence of direct local assistance, flexible labor intensive public works and targeted community service employment programs are clearly important methods of stimulating the economy and rapidly creating jobs through government service. The final strategy should, however, include a training component that would assist the structurally unemployed in finding productive work. We applaud the Hawkins initiative and hope that our recommendations are useful in subcommittee deliberations.

Mr. **Biaggi**. Without objection, so ordered.

Mr. **Gault**. First, I think that it is crucial to say and to say forthrightly and with great confidence that I think that a legislative package which attempts to address the problems of the cyclically and structurally unemployed is indeed necessary.

It is a moral imperative for this country to consider and I applaud and commend you, Members of Congress, for pursuing such an adventurous undertaking during these troubled times.

I will go on to say that in addition to providing the kind of needed and necessary stimulus of local economies I think such a legislative package can do much to provide important community service in the form of jobs and project activities that could be specified and delineated to a great extent.

I think it is important for us in New York to say that. I am saying that I want to underscore the point that Congressman Biaggi made in the questions and answers with Lieutenant Governor DelBello. Much of the wrongdoing, much of the weakness in the public service employment program had been corrected. We have learned the lessons of a decade of experience with the CETA program and I think that the kinds of programs that was in place, particularly here in New York City, as well as in other jurisdictions throughout this country, was a showpiece of how the important business of publicly supported employment should be conducted.

And I think it is worth underscoring, as you have Congressman Biaggi, in your questions and answers.

Let me just use that as a transition to the second point that I would underscore in the testimony that I have shared with you.

I think it is imperative that when you look at the various legislative packages you underscore in the discussions and in the final bill the importance of flexibility, the importance of localities being able to look sharply at the conditions within their own service areas, to determine what kind of jobs should be created, and to determine how those jobs might be structured.

Let me just tell you why I think that is so important.

As we look to the economic vitality of New York City, New York State, and the rest of this Nation, we must do so with two critical issues before us. One is that we have the concerns of a business community to address and I think that is very important.

Moreover, we have the concerns of a client to address, those poor unfortunates who are not able to provide for themselves, who do not possess the self-financial reliance that so many of us have as a blessing. And as we look at the local conditions in this area we must, I think, be able to focus on those different needs with clarity and with precision if a bill like this, in its implementation, is to be meaningful to serve both concerns.

The importance of that flexibility, I think, is dramatized as well when we look at New York City and when we look at the labor market information that we put together in preparation for administering the rest of the CETA program and preparing for the Job Training Partnership Act. We see that it is so crucial to us to be able to identify those needs of employers in this town and to structure training programs that will respond to those needs.

Gone are the days of yesteryear in New York City when people were trained and if they got a job it was OK, but the fact that they were trained for some higher purpose was all important.

Those days of yesteryear are gone forever. As we structure these contracts in New York to use those dollars that are available to us for publicly supported training programs, we place a great deal of emphasis on the terms and conditions that training vendors and contracts must meet of placing people in jobs after training.

And I think that becomes the bottom line and that becomes one of the clearest and most persuasive arguments I can hopefully make for the need for local flexibility and in the implementation of a jobs program.

I think the third point, again, looks somewhat retrospectively on the decade of experience that we had with public service employment. I think that we would be indeed derelict in our duty as responsible public officials if we did not look retrospectively at the experience of the last decade as we attempt to recreate the wheel.

Clearly we saw that public service employment in a New York City provided important services in a broad range of areas, many of which are listed in the current legislation. I think that as we make a case for the importance of local flexibility that we need to be in a position to look at those areas in which we have found ourselves disadvantaged in that we have had to eliminate or reduce many of those important but essential human services.

I think that those three points make the strongest possible case for local flexibility in the implementation of a jobs bill as we would go forward from this point.

The third point that I would make is a point that I have made with some sense of temerity. Many of my closest advisers and counsellors tell me that there is no need for the American public to be given a primer on the kinds of unemployment that exist in this country.

Clearly, a thinking and knowing American public can make the distinction between cyclical unemployment, can make the distinction between structural unemployment, and can make the distinction between frictional unemployment and seasonal unemployment. There is no need for us to spend important and precious moments talking about those distinctions.

Bear with me, if you will, if I underscore what I think is an important point as we look at a jobs bill and the importance of considering those various distinct kinds of employment as we go forward with this legislative package.

In the first instance as we look at a move from CETA into the Job Training Partnership Act, we see that in New York City alone we are experiencing a loss of some $30 million, 41 percent of those funds that we had available for training will no longer be available for training.

I think that is a reality that has to be looked at and dealt with forthrightly as we come to this transition period just a few short months away.

The second very important point to consider as we look at training and retraining is that as the Job Training Partnership Act focuses upon the problems of structurally unemployed and the dislocated worker, we have seen an increase in those funds that will be made available to assist the dislocated worker by some tenfold.

Those dollars which were originally targeted at some $24, $25 million have now grown over the last several months to a sum of some $240 million. Not to suggest that those workers who have lost their jobs as a result of plant closings and relocations are not deserving, if not, indeed, meritorious and should be given consideration.

I think the important thing here is not to allow the kind of cannibalism to set in that can set in when you are dealing with reduced public funds to resolve and respond to problems so severe as the problems that we are looking at in this city as well as throughout the rest of the country.

I would say that again, retrospectively, what we have been able to do with training money here is just short of miraculous. In fact, the New York City controller said that we had enjoyed some modest success in our training efforts and I sent him a note right away saying that I consider that the biggest compliment of the year because if we can enjoy modest success during a period in which we have seen a downturn in the economy so severe as we witnessed in New York City that that is indeed a tribute to the workers in this city who are concerned about the problems of the economically disadvantaged.

In 1982, we were able to place some 30,000 people into jobs with local employers for the most part. Ninety-six percent of those placements were with local, for-profit firms. They were not government placements. Seventeen thousand of that number were as a result of intervening training.

So, again, I want to underscore the importance of the training as we look at a new jobs bill and the prospect of a new legislative package. There can be no real substitute for preparing people for the long term. And I think you do that through a carefully structured and intelligent job training package and component to what you have proposed here.

I would be remiss if I did not include as a final point an issue that is of great concern to my compatriots in the Office of Management and Budget and that is, that in the absence of direct local aid, so strongly and vigorously support a public works program that is carefully targeted community service jobs program that has a carefully designed training component to go along with it.

Because in the end, it is that kind of training that will lead to placements that can break the cycle of welfare dependency and lead to financial self-reliance.

That constitutes the essential highlights of what my written testimony goes into greater detail with.

I am here for as long as you need me to answer any questions that you might have.

Mr. BIAGGI. Thank you very much, Commissioner, for a very substantive presentation.

With relation to focusing attention on the needs of employers and the ultimate success you had, I see on page 4 of your testimony that the 1981 data shows that two-thirds of a training program that graduates obtain employment at the completion of training. You made reference to 96 percent.

I am sure you felt complimented by the letter from the Comptroller but the term modest is an understatement for you in the light of these figures.

Mr. GAULT. Thank you. I think so, too.

Mr. BIAGGI. When did you begin to focus? When did the transition commence from the usual procedure of teaching to this training your students to the needs of the employers?

Mr. GAULT. I am sorry. I didn't hear the last part.

Mr. BIAGGI. When did that commence?

Mr. GAULT. Well, it has been a part of the fabric of our training programs over the years. Over the last 4 years, however, we have made an intense effort to structure training programs that generated placements. Different cities run these programs in very different ways. In fact, I think the way that we have run the program in New York City has done much to keep it free of tarnish and has done much to keep it free of negative criticism.

The employment aspects of what we have done have been conducted clearly in the glare of public spotlight. The training provisions to which I allude and these numbers have never been really focused on until now.

So it was only over the last 6 to 8 months that we in New York have made a concerted effort to bring you Members of Congress and indeed the Nation some of the good news that is happening here. These changes and this kind of emphasis on placements have been occurring over the last 4 years, however.

Mr. BIAGGI. I don't know if you recall it or not but a number of years ago we had a comparable program in Rikers Island. The rate of recidivism for those who participated in the program was about 14 to 15 percent and conversely the rate of recidivism for those who did not participate was about 85 or 86 percent.

Are you familiar with that?

Mr. DELBELLO. Not in great detail. I have heard some anecdotal experiences about it but I am not prepared to talk about it at length. I guess the bottom line was that it was a fairly positive experience.

Mr. BIAGGI. Except that it ran out of money.

Mr. GAULT. Regrettably.

Mr. BIAGGI. That is right.

I am happy that you have a special focus on this situation. In my judgment, it is really where you get the most benefit from the dollars we spend. You just don't train them and have them go out there without any real opportunity to obtain employment or take advantage of the training.

What you are doing is commendable and we are happy to hear that.

Mr. GAULT. Thank you.

Mr. BIAGGI. Mr. Hawkins.

Mr. HAWKINS. Thank you, Mr. Chairman.

Mr. Gault, I thought your statement was excellent and I am certainly in great agreement with it. The one statement, however, you indicated with respect to public service employment is that it should be structured in such a way that it corresponds with local public service occupations. May I ask you, how do you really do this and avoid the substitution issue if you make it too closely identical with other jobs that must be currently vacant and yet you are training individuals for jobs, to fill those jobs?

Mr. GAULT. Well, I think you have to do it quite carefully. We saw in public service, and that is the smart little Chicago kid in me that says stuff like that. But we saw when public service employment was dismantled some 15,000 workers terminated, fired with some limited chance of being retrained and hopefully placed in jobs in the private sector with some going into city jobs.

One of the things that was a startling reality was that unless you look very carefully at the local labor market, not necessarily those available positions within municipal government because as the testimony points out one of our worst case projections is that we are going to have to go into further layoffs.

But if you look at the local labor market I think that we can find within the private sector analogs to many of the publicly supported jobs that we do.

What are some of them? Clearly much of the work that is done within the New York City Parks Department has a private sector and analog. This is a metropolitan area in which there is a great potential for expanding on landscaping as a business.

Lieutenant Governor DelBello was here. He was a former account executive from Westchester County and all you have to do is spend a weekend riding through many of our suburban communities in Westchester and you can see that that indeed is a growth area in terms of this labor market.

One of the things that I think that we might do if this does, in fact, become a reality is to look very carefully at how you structure jobs, for instance, in the Parks Department. Attach to them a training component that would facilitate the move and transition from a publicly supported job to a private sector analog. I have used that one because I think that is one of the more common analogs that we could point to.

I think that is one of the things that is just so critical that we have learned from public service employment .

Mr. Hawkins. So you would think that a prohibition against or restriction on substitution would not operate to make such a proposal that is now pending in H.R. 1036 and several of the other bills unrealistic?

Mr. Gault. No. I think you would have to refine the language very carefully. Clearly one of the more titallating experiences that I have had over the last 4 years is to sit with my counterparts in the Department of Labor and argue what represents substitution and what represented a maintenance of effort on the part of the city's effort to establish its public service employment program.

I think you would have to look very carefully at that language that prohibits and bars substitution. If, in fact, you are going to give localities the opportunity to do something that will lead to a meaningful work experience, training and then placement in an unsubsidized job and I think you can't do that.

Mr. Hawkins. Thank you.

Mr. Biaggi. Mr. Simon.

Mr. Simon. Thank you, first of all, for your general statement. Of those on your list who are seeking work, and unemployed for 30 days or more, what percentage would you guess are unskilled?

Mr. Gault. Unskilled, that is have never worked?

Mr. Simon. Well, not necessarily have never worked, but who have very minimal kinds of skills. Obviously, if you have been trained as an architect but you don't have a job, you still have a skill.

Mr. GAULT. Well, it is difficult for me to put a number on it. Let me see. On an annualized basis we have a network of some 18 outreach offices throughout the 5 boroughs and see some 70,000 to 75,000 people. Half of those who go into those centers have a basic reading proficiency above 7.6. Half don't.

Mr. SIMON. Is that 7.6 grade level?

Mr. GAULT. Yes, 7.6 grade level.

Those who don't read above the seventh grade are not the best bets for our training contractors and it makes it very difficult for us to move them into a training program, as such, while those who do often become prime candidates for those kind of training programs.

As we look at those numbers I don't have a ready answer for you in terms of among those what percentage have worked previously in a skilled occupation and have some skills. But the basic test and the most fundamental factor that we really review is what the basic proficiencies are in terms of reading and math, some manual dexterity and others.

Mr. SIMON. Thank you. That is very interesting. 7.6.

Two other quick questions. I don't know what your laws are here in New York but in most States if you are drawing unemployment compensation you cannot be a full-time student at a community college or at some other college.

It has been suggested that the law be changed so that people who are out of work because their job no longer exists that want to go to college ought to continue to be able to draw unemployment compensation for at least the time of their unemployment compensation or the time of their schooling during a period during which they would not be out seeking full-time employment.

Is there any reaction?

Mr. GAULT. Yes. This is not one of the issues that I was prepared on in terms of the testimony here but let me just tell you that in my other life I served as a member of the Board of Higher Education which has oversight responsibility for the City University of New York. It has an enrollment to date of some 170,000. I guess it is somewhat under half a billion dollars in terms of funding. Forty thousand of those students within the community system are in the community colleges. Forty thousand. And it is a very, very difficult educational experience for those who are there with few financial resources.

I think that is something that would be very important to allow those who have few options and alternatives the luxury of being trained. I have seen hundreds of young men and women and some not so young men and women step up and say,

> I need a job today. I wish to God I had 6 months to a year to be trained but unless you can provide me with some income to put food on my table and a shelter over my family and clothing, I can't accept your training.

Mr. GAULT. So if there was any way to help defray those costs I think it would be well deserved and should be included.

Mr. SIMON. Thank you.

One final question. We have what we call "Dear Colleagues" letters that our colleagues send around to us. The other day I noticed one suggesting that there should be a national computer bank on jobs; that if jobs aren't available in New York and there is a demand in Oklahoma that by computer we ought to be tied in.

Is that dream world stuff? Does that make sense? Is there any initial reaction to that?

Mr. GAULT. I would imagine that you would find a great reception among those who have the time and luxury to theorize about how to best solve thorny problems of joblessness.

My local experience is such that the idea would be difficult to design and virtually a herculean effort to implement. I would suggest that you frame that question. I think it is a very probative question to the guest who will follow me, Mr. Donald Harris. He is, indeed, one of the outstanding and dynamic young men of the 20th century. He is heading up the summer jobs campaign for the private sector partnership effort in New York City. They have done much to take a look at how to approach computerization that would give a quick glimpse of what is available and a better fix on young people who can be placed in those jobs.

I think he may be able to shed some of his real insights on this since Philip Morris has succeeded in having Wang devote the hardware as well as software in the process so that they can make a better match for the 7 weeks jobs program.

That is not to put Don on the spot because he can handle tough questions. He always has.

Mr. SIMON. Thank you very much.

Mr. MARTINEZ. You were talking a minute ago about the number of people who came that had below 7.6 reading?

Mr. GAULT. Yes, sir.

Mr. MARTINEZ. These people have a very small chance to enter the training programs. There is a skill center in east Los Angeles which provides short courses for installation of burglar alarm systems and fire alarm systems.

These people can enter school and get out in a very short period of time. They also are provided a stipend while they are going to school that keeps them somewhat subsidized until they finish the short course and get jobs.

I think we have to look at every aspect of unemployment if we are going to get people back to work. The jobs that don't take a lot of skill, those employers that might be able to take people and put them in on the job training while they are working and learning, those people that have the greatest chance to succeed in long-term training programs.

Mr. GAULT. I think you are absolutely right. There are no simple answers to that. We have taken a look and I will share that report with you after this hearing concludes, at the labor market in New York City, and we have come up with what we call New York City: A Better Match for Jobs and Workers.

And what you have suggested is essentially what we are doing. We are segmenting the labor market against our labor force and clearly there are jobs in which people can be placed without any intervening training.

As a general rule, however, those jobs tend to be at the minimum wage and provide few career options.

In the past, quite frankly, we have not placed a premium on putting people to work in those kinds of jobs but the 1980's bring on different conditions and need different responses.

We have, again, looked very carefully at this labor force against that labor market and we are making some judgments now about placing people to work where they can earn a living in jobs which may be at the entry level, minimum wage and may offer few career opportunities.

The desperate economic climate that we are facing throughout the country makes that an imperative. So it is with great anticipation that we look forward to the implementation of the Job Training Partnership Act so that we can bring forward some of what I hope will be new ideas and not simply to end on a biblical reference of Matthew, old wine in new bottles.

In this case less wine in smaller bottles.

I think we can say something that is meaningful to those folks who don't have those skills but who have desperate need to earn an income.

Mr. MARTINEZ. I would hope, too, when we put those people into jobs, that we make it very clear to them that even though they get employed right away it is very important for them to get on their feet, become established, and retrain themselves for higher skilled jobs.

Mr. GAULT. I would hope that that would be a reality for people. I really, quite frankly, can't say. I don't know how many of those folks who are working are going to step forward and say, "I am working, I would like to be trained for upgrading."

The experience under CETA, as you may know, I am sure you do know, was one in which we could not point to a great many successes at upgrading.

There are provisions in the legislation that said, you can take workers who are working at levels below their potential and use these funds to upgrade them so they can move on a career ladder, if you will. The experience was just not that fruitful.

We had a number of experiences that were positive. I think the bottom line was that they tend to be more anecdotal than reflecting systemic change and I think that is what we are trying to move for, some systemic changes in what we are doing.

Mr. BIAGGI. Thank you very much, Commissioner.

Mr. GAULT. Thank you.

Mr. BIAGGI. The next witness is Mr. Donald Harris, manager of corporate public affairs at Philip Morris, deputy director of summer jobs in 1983.

Mr. HARRIS. Mr. Chairman, members of the committee, my name is Donald Harris. I am manager of public affairs for Philip Morris Inc. and deputy director of the New York City's partnerships summer jobs 1983 program.

I am here today on behalf of Mr. George Weissman, Philip Morris' chairman and chief executive, who is also general chairman of summer jobs 1983.

It is not my purpose to tell you about the severe impact that unemployment has had and continues to have on New York's economy. You have already heard all that, and I am sure you will undoubtedly hear a good deal more.

Instead, I would like to talk about the kinds of things that business, government, labor, and communities are already doing to address the unemployment problem in New York and some of the things that still need to be done.

Over the past several years, it has become abundantly clear that the private sector must increase its degree of involvement in America's social agenda. That is the conclusion not only of the Business Roundtable and of the President's Task Force on Private Sector Initiatives; it is an idea Philip Morris has recognized and practiced for many years—that our business activities must make social sense, and our social activities must make business sense.

This same idea is the foundation on which the New York City partnership is built. The partnership is a working coalition between the public and private sectors in New York City. It is also a prime example of the kind of socially conscious cooperation we need if we are to deal with problems like unemployment, crime, a deteriorating infrastructure, and economic recession.

Today, the New York City Partnership Board includes active representatives from all boroughs, large and small businesses, nonprofit groups, and minority leaders. The partnership is chaired by Mr. Rockefeller.

Our president, Dr. Frank Macchairola, former chancellor of the New York City schools, brings the experience and perspective of successful leadership in program creation and administration. Over 70 major New York-based corporations have contributed manpower and resources to partnership efforts in areas like: mass transit, neighborhood safety and the criminal justice system, economic development, education, housing, and the subject about which I would like to speak right now—youth employment.

The lack of jobs for economically disadvantaged young people is one of the most serious economic and social threats to the future of America's cities. In New York last year, one out of every two people unemployed was a young person between the ages of 16 and 21, and 85 out of every 100 were black, Hispanic or Asian. Sixty percent had at least a high school diploma.

These are young people who want to work and who need to work. They are young people who not only need the money, but who need to know that our economic system really does work and, that there is a place in it for them.

Summer jobs is the private sector's response to that need. In 1981, the partnership set up a task force under Delbert Staley, president of the New York Telephone, to explore ways to find work for these disadvantaged young people. The aim was to start with summer employment, then expand the effort to year-round jobs.

During that first year, we were able to generate over 9,000 job placements. Last year, under the leadership of William Spencer, president of Citibank, more than 16,000 placements were found in jobs that ranged from accounting clerk to zookeeper's assistant.

We could not have realized such success without the wholehearted support of the public sector. Among those playing a vital role in the summer jobs effort are the New York Department of Employment, the New York City Board of Education, particularly the cooperative education program—the private industry council, the City University of New York, and over 150 community organizations from around the city.

The Summer Jobs program enters its third year as a proven, successful program that helps New York City employers solve their seasonal employment needs with young people who are responsible, ambitious, and motivated and willing to do a good job. We know it works because a sampling of last year's summer jobs employers revealed that 88 percent of them want summer jobs people back again this year. We know it works because of the strong support we are continuing to get from every sector of our city.

We have received broad, bipartisan political support from the city hall in Albany, and the New York congressional delegation. In fact, Mr. Chairman, I am pleased to acknowledge that two members of this committee, Representatives Biaggi and Owen, have recognized and supported the summer jobs effort and we look forward to their continued support of this year's program as well.

Governor Cuomo has said, "The successes of the partnership's summer jobs program should illustrate to all of us that the private sector, in concert with government, can be instrumental in finding workable solutions to the difficult problems we as a State must confront."

Mayor Koch has called summer jobs a demonstration of, "the private sector's deep commitment in helping to solve a major city problem."

And we have gotten tremendous support from the business community. Bob Engel, the personnel manager of B&G Pickle, out in Long Island City, best summed up what we were trying to do when he said, "The kids we get through the Partnership's summer jobs program want to work. They want direction, supervision, opportunity, and respect. They want a buck in their pockets. They're just like us when we were kids."

The Partnership's focus on summer employment for young people should not be construed as a lack of concern with the broader unemployment problem. Indeed, we regard today's double-digit unemployment as a matter of the highest social, economic, and political priority.

Instead, summer jobs reflects the belief that anything done successfully, no matter how modest, is better than a broadbrush effort that fails. In the past 2 years, we have found summer employment for over 25,000 young people who otherwise might not have gotten work. More than that, we have helped 25,000 young New Yorkers find their way into the mainstream of our society—as earning, productive employees.

And it is the beginning of a long-term collaborative effort to rebuild the economy of New York City. It would be easy to leave New York. Many corporations have already done so. But Philip Morris is committed to our cities. They are our primary marketplace and our hometowns. Our decision to maintain Philip Morris World Headquarters in New York City was a conscious one, based on the same toughminded business thinking that has kept our tobacco operations within the city limits of Richmond and Louisville, and our Miller Brewing Co. operation in Milwaukee, Wis. Staying in the cities reflects our own enlightened self-interest.

Summer jobs also reflects our self-interest as well.

Consider the impact of unemployment on a company like Philip Morris. We are a major consumer products company in three industries—dependent for most of our business on the domestic marketplace. We are naturally interested in the condition of our economy: Recovery means more jobs, and more jobs mean greater consumer purchasing power—hopefully to buy our products.

But we are equally concerned about the human cost of high unemployment—about the social alienation, the inability of large numbers of young people to get a toehold on our economic system. We are concerned about tomorrow's need for an experienced and motivated work force—tomorrow's consumers.

The Philip Morris slogan I quoted earlier bears repetition: Our business activities must make social sense, and our social activities must make business sense.

The success of the New York City Partnership demonstrates, I think, that public-private partnership can work. The past decade has shown us that government can't solve our society's problems alone. Nor can business: Replacing government efforts dollar-for-dollar, or program-for-program lies well beyond the limits of our resources, and our mandate.

We endorse and support the committee's hard, firsthand look into the unemployment problem. But the fundamental reality of unemployment is that none of us can solve it alone. We all must do our part. As guarantor of every citizen's right to "life, liberty and the pursuit of happiness," it is government's job to set the direction and tone of our social and economic recovery.

Government must provide leadership through strong and unified public policy. However, no longer can we move forward with blind faith in Adam Smith's "invisible hand" and assume that things will get done. Structural change—as we have seen in the last decade—occurs too rapidly.

Just as equality is not achieved by reducing the strong to the level of the weak, so, too, we must not penalize successful businesses to pay the price of the inefficient. Government must support economic recovery by eliminating obstacles to business and economic recovery like regressive taxes on certain consumer goods and needless regulation.

With leadership and cooperation, business can—and is prepared to—marshal the resources we need to make it happen. Through organizations like the New York City Partnership, we can apply those resources to a social and economic agenda that represents the active consensus of every significant constituency in the city—business, government, labor, and communities.

The Partnerships's summer jobs initiative reflects our attempt to tackle unemployment in a way that works. But as long as unemployment erodes our economy and our national morale, we will remain stuck in low gear. Any effort to reduce the Federal deficit by cutting deeper into the social budget must be weighed against the terrible social cost of double-digit unemployment and marginal recovery.

The answer must be found in a working partnership.

Thank you.

Mr. HAWKINS. Thank you, Mr. Harris.

That was a very excellent statement especially insofar as it represents a view of the private sector as well.

As deputy staff director of Summer Jobs 1983, may I ask you whether or not the task in 1983 is larger than in previous years?

Mr. HARRIS. I think it is substantially larger. Unemployment generally is up and certainly unemployment of young people in the city is up substantially. Businesses, to take the broad sweep, are probably not in as good a shape as they were last year. We expect some falloff in terms of companies providing placements for these young people so certainly it is going to be a tougher job.

We are, however, confident that there are enough companies in this city and enough business people who see this issue as important enough to provide places for young people to get them into the process and get them into the labor force at least on an experimental level for 7 or 8 weeks during the summer.

Mr. HAWKINS. To what extent would you regard a proposal to provide a minimum wage for youth as a solution?

Mr. HARRIS. That is a difficult question.

Mr. HAWKINS. Of course I am referring to a subminimum wage. Let us say the minimum wage as a handicap or subminimum as a solution.

Mr. HARRIS. Mr. Chairman, I think business generally looks to pay people for the work they do. If young people are going to play a role in companies whether it is for the summer or on a part-time basis, we are prepared to provide an adequate and the minimum wage, whatever it happens to be for that work. I don't think we are looking to create a wage for young people below what is the existant standard.

Mr. HAWKINS. To what extent is the employment of young people that you have had experience with a vital part of their lives? The impression has often been given that young people to a large extent are in families that provide an income for them. Therefore, their unemployment is not as serious as unemployment in general, taking into consideration that you are dealing with young people from the age of 16 to 21. I would assume that many of them also have families. Some of them have dependents. Some of them may be heads of households.

To what extent would you say that the young people in this group work as a matter of economic necessity? How many, let us say, could possibly afford some other accommodation?

Mr. HARRIS. Our particular program, the partnership program, is directed specifically toward disadvantaged young people in New York City.

The eligibility criteria is the Bureau of Labor Statistics' lower living standard. So I think in response to your question, all of these young people need employment. It is not a matter of young people from upper income families not having things to do for the summer so they take one of these jobs. These are young people who are in need, who are eager, who are seeking employment to further their education or support their families or whatever. But they are in need.

Mr. HAWKINS. To what extent would you attribute any connection between youth unemployment and delinquency and crime?

Mr. HARRIS. I think there is a very real correlation. I could not site a specific study that we have done but certainly if young people are involved in working, whether they are learning, whether they feel like they are contributing, whether they are growing and developing, they are going to be far less inclined to get involved in antisocial behavior that may again be motivated by need but still antisocial behavior that forces them into a pattern of disengagement with society.

So I would say there is a very, very strong correlation and I am sure Mr. Gault's office or others could provide you with precise data on that.

Mr. HAWKINS. Thank you.

Mr. Biaggi, I yield to you.

Mr. BIAGGI. Thank you, Mr. Harris. I read your report.

First, I want to take this occasion to congratulate the New York City Partnership.

Mr. HARRIS. Thank you, sir.

Mr. BIAGGI. Our observation has been that it is working and it keeps getting better every year. Clearly it is working.

Mr. HARRIS. We believe it is thanks to your support and many, many others.

Mr. BIAGGI. I read your kind reference in the testimony, but that is exactly what we are talking about. You are echoing our sentiments. We recognize that the problem is of crisis proportion and we just can't wait for it to diminish in a natural way. I think we should utilize every one of our resources. Certainly the private sector should be in on that.

In all fairness to you, you have been getting more and more involved. There was a dawning. The private sector is realistic and hence became involved in a very positive and constructive fashion and the product is good.

Contrary to another philosophy, people don't believe that the government should get involved. I could not disagree with them more. It is a universal problem that must be addressed. Every source we have available should be utilized by the government as well as the private sector and only by working together can we do this.

You stated clearly that no one can do it alone. We know that and we would like to commend you and the New York City Partnership for the work that has been done this year.

The interesting question that Chairman Hawkins raises is the question of the subminimum wage, although it should not be phrased that way. Implicit in that statement is an unfavorable situation for young folks during the summer.

Let's talk in terms of the summer minimum. I heard your response. And it may be the attitude of your company. I don't know if it is the attitude of all of those participating in the New York City Partnership or the attitude of the chamber of commerce which more or less represents all of our industries and corporations.

Mr. HARRIS. Let me clarify it, if I might, and I think I was speaking primarily on behalf of my company, Philip Morris. I am sure that I could get for you a position from the partnership that represents its view and the view of the New York City Chamber on that for your record.

Mr. **Biaggi**. That would be important, I think.

Mr. **Harris**. I would be happy to do that.

Mr. **Biaggi**. It is not the first time it has come up. This subject came up a number of years ago and it was barely defeated, I think, by one vote. I think it was called philosophical conflict in relation to that with respect to employees exploiting young folk.

Would they stay on beyond the summer? Would they be displacing the regular employee who would be working at the standard minimum wage or more?

Mr. **Harris**. I think that is a very real concern. One of the things that we are pointing out to the businessmen and employers that we seek to involve in our program and alert them to the targeted tax credit that they can obtain for employing a young person during the summer months, 85 percent of their salary can be taken as a tax credit for every young person they employ during the summer.

Now this provides a significant advantage for an employer willing to hire a young person.

Mr. **Biaggi**. Even better than the subminimum wage.

Mr. **Harris**. I would think so.

Mr. **Biaggi**. Thank you very much, Mr. Harris.

Mr. **Harris**. Thank you.

Mr. **Simon**. I simply want to join in commending you. I like the use of the word partnership. I think we have to have much more of that between the private sector and government than we have had, frankly. Also in your report back to the officers of Philip Morris, we also got your hint that we should avoid regressive taxes on certain consumer goods.

In view of Mr. Gault's testimony, I am interested in one statistic you used. Among those unemployed youth here, you say 60 percent had at least a high school diploma.

Mr. **Harris**. Yes, sir.

Mr. **Simon**. Now I think it was before you came in, he pointed out that among the unemployed in New York they find that about half of them can read at a seventh grade level and half below the seventh grade, not only reading but math and in general.

One of the questions our full committee faces in the whole education area is how adequately our schools, particularly some of our rural and some of our central city schools, are doing the job that needs to be done. I realize this is off the top of your head now, but of those 60 percent who have a high school diploma, how many of those do you think would fall in the above the seventh grade level as far as reading, math skills, and so forth and how many below?

Mr. **Harris**. That is almost impossible for me to respond to in any way. Let me try and respond in a different way and hope it will get at your question.

With the young people who have come into companies through summer jobs, both I might add on the summer program and on the long-term effort, these young people are going to small businesses such as the B&G Pickle Co., as well as Philip Morris, Exxon, Morgan Guaranty, American Express, and so forth.

By and large, the young people do very, very well. Their skills, while in some cases have to be supplemented and have to be provided with a little support and encouragement on the job. But by and large they are not the kind of deficits that would knock young people out of the box from the starting point.

If young people sign up and say they have some skills in typing or word processing and so forth, basically with a little bit of minimal support they can come in and function. And I think certainly among the Partnership companies we are very strongly consistent and pleased with the kinds of jobs that these young people can do coming into these companies.

Mr. SIMON. Do you have a screening process? In other words, are you getting an adequate reflection of the school system? You are not just taking the best of the young people who are looking for jobs?

Mr. HARRIS. No, we certainly are not. The way the process works is that applications are provided throughout all the high schools in the city and throughout all the boroughs in probably 160 community organizations. The young people fill out the application with some reference to their special interests and/or skills and the private industry council matches those with the requests that come in from the businesses.

So while there is a very real attempt to match skills with job specifications young people apply based on their eligibility which, as I indicated, involves income and we get the best we can and refer as many young people as we can.

Mr. SIMON. And if a 16 year old comes in and says, "I really can't read and write but I want a job," you are still going to help them?

Mr. HARRIS. There are lots of jobs that don't require reading and writing.

Mr. SIMON. I thank you. And again I commend you for what you are doing.

Mr. HARRIS. Thank you very much.

Mr. BIAGGI. Thank you, Mr. Harris.

The next witness is Mr. James Kane, president of the United Electrical, Radio & Machine Workers of America, accompanied by Ms. Fannie Norwood of Bridgeport and Mr. Tom Hudak of Hudson Falls, N.Y.

STATEMENT OF JAMES KANE, PRESIDENT, UNITED ELECTRICAL, RADIO AND MACHINE WORKERS OF AMERICA

Mr. KANE. Mr. Chairman, instead of Tom Hudak, what happened was that this was his day to report for unemployment and he was actually afraid not to take care of that need before he came down here so we have a lady from the same local who will be here in his stead, Kathleen Melucci.

My name is Jim Kane and I am the president of the United Electric, Radio & Machine Workers of America, U.E.

Our union represents 165,000 workers in the electrical and machine manufacturing industries. We bargain nationally with General Electric, Westinghouse, and GTE-Sylvania, and our independent bargaining relationships include those with Allen-Bradley, American Standard, Bendix, Litton, TRW, Gulf & Western, Honeywell, Textron, Ingersoll-Rand, and other major manufacturers. Joining me today are Kathleen Melucci from U.E. Local 332 and Fannie Norwood, U.E. Local 209, both unemployed workers.

I want to thank the subcommittee for the opportunity to appear at this hearing and express our union's support for H.R. 1036, the jobs bills you initiated. This subcommittee is demonstrating a sensitivity to the problem that is painfully absent from much of the public debate on employment.

For the past few years the byword has been "recession" and now there is talk of "recovery." But for 12 million Americans who are walking the streets, and for millions more who live in constant fear that they could join them tomorrow, we are in the depths of a depression.

Even a technical recovery holds out little hope for reemployment of millions of workers in the construction, manufacturing, and social service sectors. Especially hard hit in our industry are minority workers and women workers.

Apparently, the Reagan administration and some elements of the Democratic Party leadership in Congress have agreed on the outlines of a $4.3 billion jobs bill. We think that this bipartisan plan is completely inadequate. Much of the money has already been allocated and it is just a matter of speeding up construction timetables. The bipartisan bill would only employ a small portion of the unemployed millions, with the greatest impact in construction and in Sun Belt areas where military construction and land reclamation projects dominate.

We do not begrudge the employment of our brothers and sisters in the building trades, but this compromise bill does little to address the needs of millions of other jobless workers, particularly minorities and women, in the hardest hit areas of the industrial Northeast and Midwest.

What is worse, we are afraid that this bipartisan bill will become an excuse for avoiding the steps that are really needed to put people back to work. The argument will be made that this is all the administration will accept. So we have to abandon further jobs legislation and move on to other things.

Such a failure of nerve on the part of Congress would be an insult to the millions of Americans who are crying out for help. We have whole families living in cars. They are eating from soup lines. They are wandering from State to State in a vain search for jobs. We need action that is immediate and massive, a national commitment to put these people to work whatever it costs, because the alternative costs—a rendered social fabric smashed hopes, broken dreams, deprived children, and so on—are immeasurably greater.

Our union is trying to organize our own unemployed members and other jobless workers in those communities where we have local unions, and we are proud of what they have been able to accomplish. They have organized food banks and cooperative buying efforts, halted foreclosures and evictions, and fought to improve the lot of the unemployed. But it is only scratching the surface. It is fundamentally misleading to suggest that private charities, or the struggling efforts of local unions, or every employer hiring one worker, can dent the monumental problem of unemployment in this country. Only an immediate and massive Federal effort along the lines outlined in this committee's proposals can begin to address the problem.

I stress "begin" for although your proposals are the most advanced we have seen up for consideration in the Congress, even stronger measures are needed to get America and its people back on their feet.

The elements of the subcommittee members' proposals we endorse, and that should characterize any Federal jobs legislation, include: Immediate job-creating steps, combined with a long-range strategy for a permanent full employment economy, as Mr. Hawkins and Mr. Simon propose; special concern for minorities and women, who are often those struggling the most for their day-to-day existence; broad application of jobs programs to provide employment in manufacturing, community services, housing construction, and weatherization; mass transit, infrastructure repair, as well as to provide training, education, and youth summer jobs.

We applaud these elements of the various proposals that are being fashioned in your subcommittee, but we urge you to at least double the $10 billion expenditures you are proposing now for a jobs program. Beyond that, we urge you to try to develop comprehensive legislation that would also address the need for extended unemployment compensation for those unable to find work, health insurance for laid off workers who have exhausted their private coverage, and trade adjustment assistance for workers suffering economic dislocation due to imports.

We feel now is the time for your committee and the full Congress to seriously consider the 35-hour workweek proposals with no loss in earnings as previously introduced by Congressman John Conyers and to pass plant closing legislation.

Getting back to the specific proposals that the subcommittee is working on, we would also suggest that you make clear that workers who become employed under Federal jobs programs will not be used to undercut the wages and working conditions of other workers, and that newly hired workers will have full rights to organize and bargain collectively with their employers, whoever they may be.

We see that many in Congress point to the Federal deficit as a constraint on what it is possible to do in a jobs program. But in our view, there are billions of dollars of wasteful and unnecessary spending in the military budget already, and the Reagan administration is piling billions more on the Pentagon.

Not only can the increase be foregone, but we think that the military budget can undergo substantial cuts without weakening our needed defenses, thereby freeing up billions of dollars that can be applied to jobs programs that will put America back to work.

A massive jobs program provided by funds transferred from the military budget will put millions of workers into taxpaying employment. This itself will help reduce the deficit and will restore the health of the social security OASDI and medicare trust funds—not to mention restoring the health, vitality, and hope of millions of Americans and their families.

If you would prefer to ask me questions before I introduce the other two people I have with me, I would do that or I could wait until after they testify.

Mr. **Biaggi**. You can go ahead and have them testify.

Mr. **Kane**. First Kathleen Melucci, who is here on my right, has a few words about where she lives and then following her Fannie Norwood has some remarks regarding her own personal situation.

STATEMENT OF KATHLEEN MELUCCI

Ms. **Melucci**. Gentleman, I address my remarks—I do not have a prepared statement because I am a fill in. I will explain to you that I am from upstate New York, Fort Edward, and I am employed by General Electric Co. in their capacitor department. In September 1982 I was among 600 people who were laid off in lack-of-work situations. For 5 long hard months I sought other employment. And was not completely successful but was called back by General Electric on February 14. After receiving one pay check, my hopes were crushed when the company announced last Wednesday that they will be moving an additional 250 to 300 jobs to Juarez, Mexico. This virtually eliminates my job because I am low service in the mill right now.

The personal devastation that I am going to go through is immense. I have worked for this company for 6 years and don't feel that I will be taking any particular job skill out into the job market. I can do anything related to the particular product that they manufacture, but in terms of taking that back into the community I don't see where that is going to be of any help to me.

Even with retraining the thing that bothers me the most is that I will never match that paycheck. GE was the major employer in my area and also the highest paying. But I would have to put myself into the position that one of the gentleman before me described of saying, "I would love to be retrained but I am divorced and have two children and I have to put food on my table first."

I hope that your bill will address that problem in particular.

Thank you.

Mr. **Biaggi**. Ms. Norwood.

Mr. **Kane**. This is Fannie Norwood of Bridgeport, Conn.

STATEMENT OF FANNIE NORWOOD

Ms. **Norwood**. My name is Fannie Norwood. I am the chairperson for the unemployment committee of UE Local 109. I am here to speak in terms of the brothers and sisters who are unemployed.

Local politicians and legislative committees should take steps to educate and communicate with Members of Congress to get UE's measures out to the community on the following issues.

They should urge legislation to support a bill that would provide immediately employment for millions of unemployed and instead of determining extension on a State level it should be done on a national level. Urge legislators to go beyond simple extensions of a current 10 to 16 weeks of supplement. Ask them to support legislation that will provide 39 weeks after your basic 26 weeks are up. This message should be loud and clear.

There is another thing with the FSC. When you go into that 6-week period they have you out looking for jobs that are not there. There should be a way of getting people in contact with the jobs. Maybe they should start some type of job bank or something. I know that in Bridgeport, Conn., things are very bad. I have never seen or heard of so many soup kitchens and soup lines. So far I have managed to get by, but some of my friends and coworkers have not been so lucky.

Mr. BIAGGI. You make reference to soup kitchens and you never having seen them before. Obviously you are a young woman. But soup kitchens were very popular at one time in American history in the Great Depression. They were all over the place. It is unfortunate in this day and age in this country that it is necessary to resurrect that whole process.

We recognize the problem and we also recognize yours, Mrs. Melucci. This is exactly what Lieutenant Governor DelBello and I were talking about this morning in relation to Otis. Many communities rely on one company for their employment. Traditionally they have been part of the community's activities but when it comes to dollars, human beings are not given any consideration.

What irks me here is you are talking about General Electric that does so much work for the Government, hundreds of millions of dollars of business with the Government. In this instance they take that plant and close it and go to Mexico obviously to escape the costs in that area. When you read their financial reports, and their quarterly reports, they are not doing all that bad. That is one question that Congress will have to address because it is happening in different ways all over the Nation. Plants are being closed. They are being moved. The business that the local plants did that people in America were doing are now being shifted to foreign lands and we have exported a great deal of our manufacturing capability.

It is just not right from a whole array of perspectives, from a moral perspective it certainly is not right. From a national defense position it certainly is not. We don't have the capacity, if it was necessary, to embark on the shipbuilding program. We learned through the Falkland Island crisis that without the merchant marine the British certainly could not have recovered that island. The merchant marine has been mustered from everywhere. We learned in World War II that we were far behind and not sufficiently prepared when the Kaiser came into being and started constructing those Liberty ships. While we were in the process of constructing those Liberty ships, our young men and women were fighting wars without the proper amount of equipment and supplies. There is something very wrong with this whole process.

What we are witnessing is business trying to get away from the antitrust provisions, laws that were put into effect to prevent business from dominating and forming monopolies in one area. It has been reasonably effective. Yet, on the other side of that coin business in its ingenious way, and it has a great deal of ingenuity, reached out and went in another direction and got involved in a whole host of corporate activities which, frankly, is not all that bad if they accompanied that corporate practice with some degree of compassion.

I will go back to Otis. Otis was in Yonkers for many, many years. Generation after generation worked at Otis Elevators and it was a profitmaking corporation. When United Technologies took it over and started to export its work and give the work to Canada, London, Japan, and Europe and then they said that the local plant is not profitable. First, I can understand why it is not profitable to take the work away from it. They are not especially interested in human beings or the human factor. There is remote management. It is not a question of losing sometime. It is a question of not making a mountain of money that they think they should have. It is not a loss proposition. It is just not as much profit as they would like. So in the process they cannibalize many of these small companies.

What it does is it calls for some action on the part of Congress to deal with this process. It is not going to be easy because the free enterprise element comes into play.

I have every confidence that we will be able to address that with some degree of success.

For the young ladies we thank you for your stories and we know they are multiplied ten thousand fold and we are trying to address it at this point.

To Mr. Kane, our action with relation to this bill is almost in direct response to your suggestions in your testimony. The administration has shifted its position and this week we will be voting on a package of some $5 billion, but it is not new money. It is helpful. It is a question of accelerating the dispensation of those dollars but it is still only a fragment of the solution. What we have here is another component of the response to the crisis. It still is not, in my judgment, sufficient to deal with it on a massive basis. All one has to do is harken back to the period of the depression. We remember full well how costly it became because people were not working. By addressing yourself massively to relieve the unemployment problem you do a lot of things. One, you take people off unemployment benefits. You save a lot of money. Two, you put them on the payrolls. They will be paying taxes.

The philosophy that prevails in the administration unfortunately is really not as sympathetic as it should be. It would seem to me that they have not learned anything from the last bitter experience we had in the American economy.

I have no further questions. I have no questions at all really because we are on the same wavelength.

Mr. **Kane**. I guess what bothers me is that when we have an administration that comes on TV and feels pretty good about a 10.4 unemployment rate after it has been at 10.8 and makes forecasts of one that is going to be at least 10 percent for next year and does not even really address ways to cure that unemployment problem and acts like it is sort of going to be there, that really bothers me.

Mr. **Biaggi**. Well frankly, I think we are all happy that there was a 0.4-percent drop because we thought it might be an indication of something to follow. It is better than going up. There are a lot of indicators that imply that maybe things will be getting better but they will not be getting better for the people as quickly and they will be required to endure.

You just can't endure without funds. You can't survive without funds. I know there are a lot of programs out there but I don't think that is the way to go. I think it is cheaper going our way, creating jobs. You have more lasting evidence of the proper expenditure of taxpayers' money.

Mr. Simon.

Mr. SIMON. I apologize to the two ladies for not hearing their testimony. I read Jim Kane's testimony. I want to mention one of the other areas that is not the subject of today's hearing. When a corporation clearly violates the law that has been found to have violated the law, that same corporation can then go and get major Government contracts. Jim Kane has been one of those who has been down in Washington saying this is not right. I appreciate it.

Second, I appreciate what you are doing through your union to help the people who are unemployed. You mentioned in your statement, you use a phrase here that I like, a permanent full employment economy. I have to believe one of these days this Nation is going to be wise enough and compassionate enough and sensible enough to say we are going to guarantee every American the right to a job. When the private sector can't, let's have Government provide a job of last resort. That really gets back to the point that the chairman is talking about here and you were talking about. The 10.4 percent, unemployment really means 11.5 million people, plus 2 million people who are discouraged workers and are not counted, plus 7 million people who are working part time and want to work full time. So you really have 20 million people out there in this great rich land who need a little bit of a helping hand. I hope we have the good judgment to do something.

I appreciate your testimony.

Mr. BIAGGI. Thank you.

Mr. KANE. Thank you, gentlemen.

Mr. BIAGGI. The next witness is Ms. Barbara Blum, president of Manpower Demonstration Research Corp.

STATEMENT OF BARBARA BLUM, PRESIDENT, MANPOWER DEMONSTRATION RESEARCH CORP.

Ms. BLUM. Congressman Biaggi, Congressman Simon. I am Barbara Blum, president of the Manpower Demonstration Research Corp. MDRC is a nonprofit organization that manages demonstration programs designed to improve the long-term self-sufficiency of individuals who may require public support. It is my privilege to participate in the committee's efforts to address the critical issues of unemployment in this Nation. I was asked to address particularly the experience that we have had in the past with youth demonstrations although we have worked with other groups as well.

Unemployment, which places heavy burdens on individuals, families and society as a whole, is particularly damaging for low income youth. These youth require useful education and meaningful work experience to prepare them to be productive adults. For minority youth, who are disproportionately represented in this population, the picture is especially grim. The following historic data illustrate this situation.

Over the last 25 years, the proportion of employed white male teenagers in that population group has held steady. In contrast, in the last 15 years the proportion of employed black male teenagers has declined by about 50 percent. While the employment prospects of white teenaged girls have improved dramatically during the past decade, this is clearly not the case for black adolescent females.

Appended to my testimony is a chart which shows this rather dramatic change that has occurred for the black males and shows the very difficult problem that we are dealing with in relation to teenage black females.

School dropout rates for all youth are discouraging. However, while dropout rates at ages 16 and 17 are similar for blacks and whites, by ages 18 and 19 blacks have dropout rates ranging from as much as 37 to 58 percentage points higher than that for white teenagers in the same age group. The discrepancy is even greater for Hispanic youth. This situation is particularly serious since the skills demanded of entry-level workers in an increasingly technological society presuppose basic academic competency.

A major aspect of this problem, which has only recently become the focus of widespread public concern, is the constellation of teenage motherhood characterized by poverty, low academic skills, and poor employment records. MDRC's research has confirmed our knowledge of the seriousness of this problem.

Among teenagers eligible for the youth incentive entitlement pilot projects [YIEPP], a program targeted to 16 to 19 year olds with family incomes below the poverty level, we found that over a quarter already had children of their own.

Among young women eligible for project redirection, a program serving welfare-eligible teens who are either pregnant or already mothers, we found that over one-fourth had dropped out of school before they became pregnant. Sixteen percent had been out of school for at least 2 years. Four-fifths of those in school were at least 1 year behind in grade level.

The problems of youth unemployment are complicated by such life situations, but while there are many questions still to be answered, our experience suggests that carefully structured intervention can make a meaningful difference.

Since its inception, MDRC has managed a variety of demonstration programs involving disadvantaged youths. [These have included the national supported work demonstration, project redirection, the comprehensive opportunities program and YIEPP.] The largest of these efforts, youth entitlement, was authorized by the Youth Employment and Demonstrations Act of 1977 and 1980. MDRC had overall responsibility for demonstration management and research. YIEPP was operated by CETA prime sponsors in 17 diverse communities around the country. In those communities, the program offered a job, part-time during the school year and full time in the summer, to all eligible teenagers on the condition that they stay in or return to school.

In authorizing the demonstration, Congress also intended to use the information from its implementation and results to learn more about possible solutions to youth unemployment. MDRC is pleased to have the opportunity to summarize some of that information to assist this committee in its current efforts.

With regard to program implementation, the youth entitlement experience shows that it is feasible to run a large-scale employment program for teenagers and to find a very sizable group of employers who will participate.

First, during the course of the demonstration, over 76,000 youths were employed by work sponsors across the country. This experience suggests that a large-scale employment program can be mounted successfully within a relative short period of time.

Second, net job creation was also relatively high. Every 1⅔ jobs subsidized by the program achieved one additional job for the target population.

Third, it is feasible to find large numbers of high quality jobs. An unusually thorough and systematic survey of the quality of work at over 10,000 worksites found that majority of youths busy and well supervised. The work was valuable to the young workers and their employers as well.

With regard to private sector involvement youth entitlement was the first major employment program to attempt to place teenagers with private businesses. MDRC found the private sector willing to participate. Over half the work sponsors in the program were private businesses. Most of these were small, local firms.

While employers were willing to participate, wage subsidies were a critical element of this participation. MDRC's analysis revealed that participation rates among employers were lower in sites where less than a full wage subsidy was provided.

Finally, of the teenagers who worked in private sector jobs, one-fifth were hired onto their employers' regular payrolls after they left the program. But while private businesses may be more likely to hire teenagers for a permanent position than public agencies, MDRC research on the quality of worksites shows that public sector worksites by and large provided as good a work experience as did private businesses.

On participation, the youth entitlement demonstration attests to the feasibility of large-scale program implementation. And youth are clearly interested in minimum wage jobs. Participation rates in the program were high. Fifty-six percent of eligible youths had worked in a program job by the demonstration's end.

The demonstration experience also suggests that discrimination may be an important factor in the unfavorable employment picture for minority youth since participation rates were particularly high for black youth.

Most significantly, in the presence of youth entitlement, employment rates for black males approached that of white males while the rate for black females exceeded that of their white counterparts. These findings should help to form our perceptions concerning the motivation of minority youth.

With regard to school/work relationships, youth entitlement, with its high participation rates, shows that it is entirely feasible to require both school and work for low-income youth. A program can be structured which avoids the substitution of a job for school.

It is also possible to use a job offer as a positive inducement to teenagers to stay in school or to return. There was a small but significant increase in school enrollment for the study population. This was highest for black teenagers and for the younger teens, those most likely to need the program and to be attracted to it.

When youths returned to school they did so most often to enter an equivalency program. It is also of interest that youths who returned to alternate programs stayed in school longer than those who returned to regular classes. This suggests that attention must be paid to the quality of the school experience as programs for school aged youth are developed.

MDRC's experience has shown that while it is possible to engage school systems and the employment and training system in a joint effort to address the problems of youth unemployment, such a partnership must be carefully planned and structured. Growth of cooperation between schools and prime sponsors was gradual in youth entitlement and even by the end of the demonstration, enforcement of the program's attendance and academic performance standards was difficult to achieve.

MDRC's research in a small innovative work/education program for disadvantaged teenagers, the comprehensive opportunities program, also suggests that joint efforts must be premised on the recognition that school systems have their own particular timetables for implementing change.

Entitlement Issues. Finally, the youth entitlement experience may assist the committee's consideration of program scope. As its name suggests, this was an entitlement program. All eligible youths were guaranteed a job so long as they meet the program's schooling requirements. The job development experience of the program showed that it was feasible to deliver on this guarantee.

However, the entitlement was not intrinsic to the success of the program. It was also possible to manage such a school/work initiative as a slot program. In a transition year following the demonstration period, sponsors carried out the program with reduced funding for set slot levels of participants.

Thank you very much.

[The prepared statement of Barbara Blum follows:]

PREPARED STATEMENT OF BARBARA B. BLUM, PRESIDENT, MANPOWER DEMONSTRATION RESEARCH CORP.

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While employers were willing to participate, wage subsidies were a critical element of this participation. MDRC's analysis revealed that participation rates among employers were lower in sites where less than a full wage subsidy was provided.

Finally, of the teenagers who worked in private sector jobs, one-fifth were hired onto their employers' regular payrolls after they left the program. But while private businesses may be more likely to hire teenagers for a permanent position than public agencies, MDRC research on the quality of worksites shows that public sector worksites by and large provided as good a work experience as did private businesses.

On participation, the youth entitlement demonstration attests to the feasibility of large scale program implementation. And youth are clearly interested in minimum wage jobs. Participation rates in the program were high. Fifty-six percent of eligible youths had worked in a program job by the demonstration's end.

The demonstration experience also suggests that discrimination may be an important factor in the unfavorable employment picture for minority youth since participation rates were particularly high for black youth.

Most significantly, in the presence of youth entitlement, employment rates for black males approached that of white males while the rate for black females exceeded that of their white counterparts. These findings should help to inform our perceptions concerning the motivation of minority youth.

With regard to school/work relationships youth entitlement, with its high participation rates, shows that it is entirely feasible to require both school and work for low income youth. A program can be structured which avoids the substitution of a job for school.

It is also possible to use a job offer as a positive inducement to teenagers to stay in school or to return. There was a small but significant increase in school enrollment for the study population. This was highest for black teenagers and for the younger teens, those most likely to need the program and to be attracted to it.

When youths returned to school they did so most often to enter an equivalency program. It is also of interest that youths who returned to alternate programs stayed in school longer than those who returned to regular classes. This suggests that attention must be paid to the quality of the school experience as programs for school aged youth are developed.

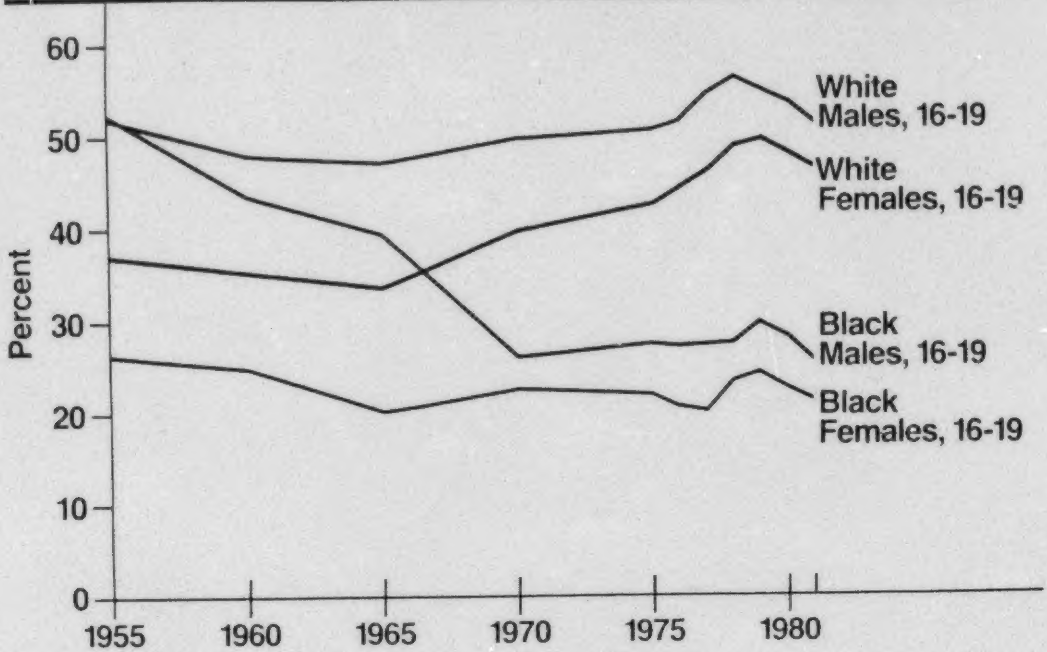
MDRC's experience has shown that while it is possible to engage school systems and the employment and training system in a joint effort to address the problems of youth unemployment, such a partnership must be carefully planned and structured. Growth of cooperation between schools and prime sponsors was gradual in youth entitlement and even by the end of the demonstration, enforcement of the program's attendance and academic performance standards was difficult to achieve. MDRC's research in a small innovative work/education program for disadvantaged teenagers, the COP, the comprehensive opportunities program, also suggests that joint efforts must be premised on the recognition that school systems have their own particular timetables for implementing change.

Finally, entitlement issues, the youth entitlement experience may assist the committee's consideration of program scope. As its name suggests, this was an entitlement program. All eligible youths were guaranteed a job so long as they met the program's schooling requirements. The job development experience of the program showed that it was feasible to deliver on this guarantee.

However, the entitlement was not intrinsic to the success of the program. It was also possible to manage such a school-work initiative as a slot program. In a transition year following the demonstration period, sponsors carried out the program with reduced funding for set slot levels of participants. Implementation was smooth and job placement generally successful.

From the youth entitlement project and other efforts we have a large body of collective knowledge regarding the problems of youth unemployment. These problems must be addressed within the broader context of national economic conditions. Concern for the quality of education and sensitivity to the social factors affecting youth and their families must also be part of this view. Despite the complexity of these issues we know that positive change can occur if there is a national commitment to invest in youth.

YOUTH EMPLOYMENT POPULATION RATIOS, 1955-1981



The employment/population ratio is the number of employed youths in this age group divided by the total number of persons in that group. Source: Selected tables, U.S. Department of Labor.

Mr. BIAGGI. First, Mrs. Blum, I would like to say it is nice to see you.

Ms. BLUM. It is good to see you.

Mr. BIAGGI. Wherever you go you do good work.

Is the corporation working with the New York City Partnership?

Ms. BLUM. We have been talking with persons in the New York City Partnership because we would like to build on the work that we did with youth entitlement most of which occurred prior to my assuming the presidency and we have been talking to a number of cities in other States. We would like, of course, to see New York City involved in any work that we do in the future. We feel it is very important to measure very rigorously what seems to work and what does not work and so we will hope that the partnership will be part of our future endeavors.

Mr. BIAGGI. There is something I would like to have explained. How do you account for the black females having such declining job opportunities while the black males have risen and they are equal to their white counterparts?

Ms. BLUM. Well, in the demonstration itself we showed the black males participating at the same level, almost, as the white males which would indicate to me that when a job is there the black male wants the job and therefore the participation rates begin to be close to equal. With regard to the records for white females and black females who are teenagers they were never as high as they had been for the males and I think that that lower level earlier simply reflected the fact that women generally were not working.

As women become more visible in the work force the white females began to have a better track record as a teenager just as the rest of us, I guess, began to have better track levels. However, the black female seems not to have had the same change occurring. In this demonstration the most remarkable findings relate to the black female who was a teenager. She participated at a rate higher than the white teenager which is one of the most exceptional findings of the demonstration and I can get you the background reports on that. The percentages are really quite striking.

Mr. BIAGGI. Why do you think that development occurred?

Ms. BLUM. I think that if one assumes that there is not easy entry to the work force for whatever reasons for black youth or Hispanic youth which I have not talked about today that then there probably is a further barrier for the black female. Women literally have come more recently into the work force. The breakthrough for the black teenager who is female is going to be very tough, complicated of course by some of the statistics that I mentioned. If someone begins with family formation at a very early age it makes it much more difficult to enter the work force and that is something that we must not forget. That is one of the reasons that MDRC has focused on the problem of teenage pregnancy now.

Mr. BIAGGI. Chairman Hawkins raised the question of summer employment or subminimum wage that more quickly characterizes it. In your opinion, do you believe a reduction of the minimum wage for the summer for young folks would result in increase in job employment?

Ms. BLUM. I would be very skeptical of the impact that a reduction in the minimum wage might have. I liked the remarks made by the gentleman representing the Partnership that his business is willing to pay for work accomplished. And in struggling with this whole issue relating to the subminimum wage, personally I think that if it is necessary to pay an individual less, would it not be better to talk about traineeships and be certain and that there is supervision there that is bringing people along to the point where they can get the minimum wage as soon as possible rather than tinkering with the floor. I think it could be very dangerous once you begin to modify it for one group. It seems to me that we could begin to talk about modifying it for other groups and I am not sure what we would end up with but it is a difficult issue.

I honestly don't think there would be that many more jobs developed from this change.

Mr. BIAGGI. I may share your opinion but I would like to get your input for the record.

Mr. Simon.

Mr. SIMON. I have a couple of questions. You say new job creation is relatively higher. Only 1⅔ jobs subsidized by the program achieved one additional job for the target population. I am not sure I understand.

Ms. BLUM. When MDRC was involved in the development of the jobs obviously work was done by the prime sponsors with the employers and when the development work was underway then a careful measurement was done to try to understand whether the subsidies created at 100 percent level the jobs that were expected.

Here it shows what our findings were. For every 1⅔ jobs created we estimate that a full additional job occurred. There was some displacement which was one of the questions that I think you were working around earlier. This is the most difficult kind of assessment to do and we will be happy to send the background materials on those calculations if the staff has not already received those. But it is really the displacement factor that we are netting out.

Mr. SIMON. And then a second question as related to what you have on the top of page 5. If we include some kind of youth emphasis in a jobs program that we report out, the general question is what should that include? And then second, as part of that, where you say that the participation rates were lower where there was less than a full wage subsidy one of the suggestions is that we have some kind of a voucher system. An employer could get $1 an hour for the first 60 days someone works, particularly for the high-unemployment group. The youth would be the most striking example of that possibility. So it is a twofold question. No. 1, what should be included in a youth emphasis on a jobs bill and, No. 2, should we include any kind of voucher program or should we include it on an experimental basis or any suggestion here?

Ms. BLUM. Let me answer the second part of your question first because I think it is simpler. I think that the concept of the voucher is an interesting one. I would certainly think that you would want to test it before you went fully with a concept that has not been tried yet. But I do think that it is worth testing that kind of concept.

In conceptualizing what should be included in legislation targeted toward youth, I believe that we should be very careful to target our resources so that we are relatively certain and that we are going to be making a positive effect on youth who otherwise would not have a chance to make it in the employment force. That is tough because we are in a bad economic period and I recognize that there are many middle class and perhaps even higher income family youth who may have difficulty seeking employment and achieving it.

Nevertheless, I think with the demographic trends that we are currently contending with that it becomes particularly important to insure that all of our youth are helped to be as self-sufficient as possible and my feeling is that those middle income and higher income youngsters are going to make it when the economy turns around. I am not sure that it is true with the more disadvantaged group that I would like to see targeted.

I think that from our experience with the youth entitlement project we have a lot of questions about the public education system. I am not certain it would fit well in employment legislation but we must remain sensitive to the fact that kids can go back and get their GED in alternative schools that they don't seem to want to go back into the public education system. We have to begin, somehow, to change that situation. And because there is such a close link between education and employment, I bring that up while you are struggling with new legislation.

I suppose that I am concerned too that we begin to get clever about our businesses in industry and I know that Congressman Biaggi was talking a bit about companies moving out of the United States. With youth I think that there is very great importance to be certain that we are trying to prepare them for the jobs that are most likely to need to be done and I don't think we have done a very good job of that in the last 20 years. But we would be happy to provide any kind of information for our work.

Mr. SIMON. I realize I hit you all of a sudden in asking what we should include, but why don't you and your staff do a little brainstorming and send the chairman and the members of our subcommittee a letter outlining what you would like to see in the youth emphasis portion of the jobs bill.

Ms. BLUM. We will be certain to do that.

Ms. SIMON. You heard Commissioner Gault talk in terms of the shift in education and that was to have the students be trained to respond to employers' needs. How would you assess that?

Ms. BLUM. In our discussions in other cities the employers are most forceful in indicating that they feel that youth should be much more skilled in reading and writing and basic quantitative skills. Now, I heard something else when we were hearing the testimony from the partnership. He was saying that they are getting youth who seem to be prepared in these areas and he was also saying that there are some jobs that don't require people to read or write. I happen to think that that is just rather basic and that we should be certain that our school systems which are fairly generously financed are finding new ways to help kids be literate and develop some quantitative skills.

I then think that there is another step that needs to be taken in linking the education system with industry. There are further skills that could be developed during those later years of schooling particularly. And I would just hope that as you are struggling with this first cut at a youth bill that we can begin to take some modest steps toward matching the product coming out of our education systems and the needs of those industries out there.

Mr. BIAGGI. Thank you very much. It is nice to see you.

Ms. BLUM. Thank you.

Mr. BIAGGI. Mr. Nicholas Borg, executive director of division of school buildings, New York City Board of Education.

I would ask unanimous consent to submit for the record testimony by Sandra Zeleznik on women and the work force.

[The prepared statement of Sandra Zeleznik follows:]

PREPARED STATEMENT OF SANDRA ZELEZNIK

I am Sandra Zeleznik, Director of Women and Law of the League of Women Voters of New York State. Thank you for this opportunity to present the view of the League of Women Voters of New York State on women and work. I am here today to speak about some of the problems that women face in the labor force today and to commend your committee in its efforts on behalf of women's labor force issues.

The League is a volunteer citizen education and political action organization made up of approximately 10,000 members throughout New York State. From its inception in 1919, the LWVNYS has worked for equal rights for all. The League has a long standing commitment to equal access to employment. Additionally, we have spent the last 18 months studying the employment issues that face us today.

The League is particularly concerned about employment opportunities and wage compensation for two reasons: the increased participation of women in the labor force and the continuing acceleration of the "feminization of poverty".

Women's role in the American labor force has fluctuated over our country's history. Although women have always contributed to the economic well being of their families, it has only been since the industrial revolution that women have entered the paid labor force in large numbers.

World War II created a lasting need for female workers. For the first time married women joined single women in great numbers as a part of the American labor market.

By 1950 34 percent of all women were employed outside the home. By 1980 that figure had increased to 52 percent. Furthermore, the labor force participation rate for women has continued to escalate even during our current economic recession increasing to 52.8 percent as of June 1982.

Many of these working women are mothers. The numbers of employed mothers have increased more than tenfold since 1940. Currently 60 percent of women with children under the age of 18 are employed.

Women work for the same reasons men do . . . to ensure the domestic well being of themselves and their families. Women are supporting families on their incomes. Many divorced, single and widowed women are the sole supporters of themselves and their children. Married women usually are workers because of their families need for more income to purchase the basic necessities.

Today the "average American family" consisting of a working father, non-working mother and children actually describes only 7 percent of the families in this country.

Yet, the relative wage gap between men and women has actually widened in the last two decades. In 1956 the average full-time female worker earned 63.3 cents for every dollar earned by the average full-time male workers. Today women earn 59 cents for every dollar earned by men. In 1978 the median wage for white females working full-time was $9,578. For minority women it is even lower—$8,996. By comparison white males earned $16,194 and minority males $12,885. The disparity of earnings by sex, as you can see, is greater than the disparity by race—with minority women earning the least of all workers.

What makes these trends even more alarming is that they are true at a time when women have become increasingly more responsible for their own financial support and for the full or partial support of their families. Bureau of Labor Statistics data show that in March of 1979, 8.5 million families—one in seven—were headed by females.

The problems women are facing in the labor force are not unique to any state or region of this country. In New York as in the rest of America women are being treated unequally in the work force.

Title VII of the Civil Rights Act, The Equal Pay Act and affirmative action legislation (Executive Order 11246) at the federal level have had too little affect on the ability of America's female citizens to gain equality in the labor force.

Additionally, in New York State, we are fortunate enough to have one of the strongest and most comprehensive Human Rights Laws in the country. This law prohibits discrimination in employment on the basis of race, creed, color, national origin, sex, age, disability and marital status, as well arrest and conviction records. For over 100 years New York State has had laws on its books which prohibit discrimination in various forms.

If these laws prohibit discrimination based on sex in employment, why then does discrimination still haunt females as they try to earn a living in the 1980's?

During the fiscal year 1980-81, the New York State Division of Human Rights (DHR), which is the enforcement agency for discrimination in employment in New York, responded to an estimated 50,000 requests for information and assistance. Approximately 13% of those calls resulted in the filing of formal complaints. According to DHR records, they began the fiscal Aprl 1, 1981 year with 5,898 complaints pending. At the end of the fiscal year March 31, 1982 this agency had 6,976 cases pending while receiving 6,308 new cases that year.

The New York State Bar Association Task Force on the New York State Division of Human Rights has found that the caseload of the DHR has increased 100% since 1970 while its appropriation has increased a mere 31% in the same period irrespective of the high inflation which occurred during that period.

The LWVNYS found in its study that lack of financial support has been a major stumbling block in achieving full equality in the labor force. Until enforcement agencies like the New York State Division of Human Rights and the Federal Equal Employment Opportunity Commission (EEOC) are funded adequately to accomplish the goals that they were created for, true equality and equal access to opportunity in employment will be impossible to achieve.

Neither state nor nation can hope to make a better place for its citizens by passing laws which pay lip service to equality of opportunity while hiding its lack of commitment to true equality behind its refusal to enforce those laws. Congress and the President must recognize their responsibility to uphold the laws of this nation. No longer can we treat equal access to opportunity of employment as a nuisance that will disappear.

Affirmative action foes have labeled it reverse discrimination alleging that you can not cure discrimination with discrimination. To that we say that recognizing the existence of discrimination is not enough. It must be followed by positive steps to employ those groups discriminated against.

Affirmative action requirements are remedies designed to remove barriers of equality of employment opportunity for those traditionally excluded. We believe that much of what progress has been made in increasing the participation rate of women and minorities in the work force has been largely due to present discrimination laws and affirmative action programs. Without affirmative action, the participation rate would decrease drastically and progress towards equality in the labor force will quickly decline.

We further believe that goals are an integral aspect of affirmative action legislation. Goals represent flexible targets or measures of success in implementing legally recognize anti-discrimination laws. Quotas on the other hand reflect rigid requirements of selection with little or no emphasis on merit. Affirmative action programs are not and should not be quota programs. However, affirmative action without numerical goals leaves no test of an employer's good faith efforts to achieve a better racial and sexual balance. Without numerical goals to measure success, affirmative action is a useless tool in the fight to end discrimination.

Title IX of the Education Amendments has guaranteed equal access to education since its passage. Yet, vocation education has impeded women's access to the full array of employment opportunities in the past and will significantly affect their future access to jobs. Although more than half of its enrollment is female, vocational education continues to perpetuate women's overrepresentation in some job categories and underrepresentation in others.

Nearly all girls enroll in programs that either do not prepare them for work or steer them into jobs at the low end of the pay scale. Females are concentrated in health, consumer and homemaking occupations. Males are concentrated in agricultural, technical or industrial trades. Even though the courses that women have traditionally followed have been useful, they have not prepared them for the well paid jobs that vocational training prepares men to do.

Vocational education is important to equalizing the male/female wage gap. Historically, women's work has been paid at a lower rate than men's work even when that work has similar education and experience requirements. As long as our society continues to define jobs as men's and women's and continues to train children toi fit this stereotype, this condition can continue. Only when girls receive vocational and educational training to do the same jobs as men do, can the situation begin to change. Therefore, vocational education is an important cog in the wheel of equal access to employment opportunity.

A law adopted in California in 1981, partially reads ". . . December 1980 from U.S. Department of Labor (indicate) that 60 percent of all women 18 to 64 are in the work force, that two-thirds of all those women are either the head of households or had husbands whose earning were less than ten thousand dollars ($10,000) and that most are in the work force because of economic need, ... but because of segregation into historically undervalued occupations where wages have been depressed; and that a failure to reassess the basis on which salaries in state service are established will perpetuate these pay inequities, which have a particularly discriminatory impact on minority and older women . . . ."

By adopting this law, California is among the first states to recognize through public law that working women's wages have been kept suppressed to a lower level by job segregation of the sexes.

The Center for Women in Government located on the State University of New York Albany campus submitted a report in October 1979 entitled "Sex-segregated Career Ladders in New York State Government Employment: A Structural Analysis of Inequities in Employment."

This study revealed that in 1977 NYS employees were comprised of 45.3 percent women while the total labor force in the state was only 38.8 percent female.

The study also revealed, however, that: 58 percent of female employees earn less than $10,000 per year, while 35.7 percent of male employees earn less than $10,000 per year; and 5.4 percent of females earn $16,000 per year or more while 20.2 percent of males earn $16,000 per year or more. Furthermore the median salary of women is $8,000-$9,000 per year while the median salary of men is $10,000-$12,999 per year.

This study found that not only were pay scales disparate by sex but that opportunity to advance was also sex linked.

In New York State Government employment it is necessary for secretaries, a female dominated job, to have high school diplomas. Parking lot attendents, a male dominated job category, however, do not have the same qualification. This seems a very innocent requirement until one investigates further to find that secretaries begin at a lower salary level than parking lot attendents. Furthermore, because of pay scale structure and advancement requirements of each category one can progress from a parking lot attendent into a management level position while from secretarial positions one can not.

Equal pay for equal work has not addressed the fact that women and men do not usually hold the same jobs. Recent studies have shown that 70 percent of the nations's men and 54 percent of the nations's women work in jobs held by those of their own sex.

We support legislation that will establish pay equity in wage compensation for comparable jobs. Comparable worth of jobs should be determined by gender neutral criteria such as responsibility, effort, skill, education and experience required and working conditions.

Quality child care adequately available to all is another necessary ingredient of equal employment opportunity. We must recognize that women will continue to work and to enter the labor force. When we as a society truly believe in the value of our children and their families, we will provide for their adequate care. No longer will we leave the fate of our children to the "latch key" or the person down the street. When society really decides children and families are its greatest asset, then society must provide for the care of that asset.

We applaud New York legislators for introducing legislation supporting tax incentives for businesses who provide on site day care. An additional bill we support is tax incentives for businesses who use day care expenses as benefits given to employees. This kind of forward thinking helps not only women, but families and society.

In summary, the LWVNYS believes that:

Enforcement, funding and commitment to present law if essential to adequately eliminating sex discrimination in the labor force;

Education free of sex stereotypes is necessary to changing societal attitudes, prejudices and discrimination;

Comparable worth, a valuation of jobs on objective criteria rather than subjective sex stereotypical criteria will equalize wage scales; and

That the expansion of child care resources will alow families to work and children to be adequately supervised and cared for.

Thank you for the opportunity to speak.

STATEMENT OF NICHOLAS BORG, EXECUTIVE DIRECTOR, DIVISION OF SCHOOL BUILDINGS, NEW YORK CITY BOARD OF EDUCATION

Mr. BORG. Thank you, Congressman Biaggi.

My name is Nicholas Borg. I am executive director of the division of school buildings of the New York City public school system. In this capacity, I am responsible for some 964 school buildings, which house 918,384 students.

I want to express my appreciation to you, Mr. Chairman, and to the members of your subcommittee, for the opportunity to appear before you today. I would like to urge you, when you consider legislation intended to provide jobs through the maintenance and repair of public buildings, to remember our schools. The city's fiscal plight has produced years of deferred maintenance which has accelerated the normal deterioration of our buildings. The prospect of unabated continued neglect will inevitably propel us into a downward spiral of damage from which we may never recover.

In the New York City public school system, we have estimated a need of nearly $100 million for maintenance and repair projects in our school buildings that need attention right now. All but our newest school buildings require some attention and we simply do not have the money. In fact, with our total present annual allocation for this type of work at $62 million—$47 million in capital money and $15 million in tax levy money—we have a $38 million maintenance gap for fiscal year 1983. All indications of the city's financial plight strongly suggest even lower funding levels, thus further expanding our maintenance gap.

Many of the needed repairs are minor but, because of the lack of funds, are postponed for so long that they become what should be avoidable major problems. For example, wooden windows only 8 to 10 years old begin to rot prematurely because we lack funding for exterior painting. It costs about $50 every 8 years to paint a window; it costs $1,000 to replace a window.

Mr. BIAGGI. Why does it cost $1,000 to replace the window?

Mr. BORG. We are talking about the entire window, not just the paint. When we don't maintain it the wood rots. We have got to take the entire thing out, have it rebuilt because these are not shelf items and then have it reinstalled. This is done by contract and on average that is what we pay.

Mr. BIAGGI. Thank you.

Mr. BORG. Nearly all of our maintenance money is spent trying to keep our school buildings sealed and warm and in keeping the major mechanical systems operable. Maintenance funds are reserved for such high priority items as roof and boiler repair, water service breaks, window glass replacement, repairing and replacing parapet walls and chimneys, et cetera. After attending to the most essential work, very little of our allocation is left over to handle minor repairs and, except as part of a renovation, no money is allocated for cosmetic work.

Physical surroundings that encourage and engender learning, however, demand a great deal more than just an absence of major roof leaks and heat in the wintertime. Who can estimate the impact of classrooms with falling plaster and peeling paint, where doors sit askew in their frames and where there aren't enough shades on the windows to reduce the glare of sunlight on the blackboard. How difficult it must be to motivate oneself in an environment lacking such basic amenities as floor and ceiling tiles that are not replaced, gymnasium floors that are warped due to moisture penetration and auditoriums that must be used as cafeterias and play areas. And even when a boiler is in need of repair, if two out of three boilers in the building are operable, we will often defer repair on the third. Managing our under-funded budget is fast becoming a crap shoot.

Our capital budget also under funds other important activities. However, not everything it funds appears quite as bleak. We are doing well in some areas.

For example, schools need modern alarm systems to reduce vandalism, unlawful entry and arson. Where new systems have been installed, these incidents have been reduced and the monetary savings, over a 2-year period, were equal to the initial investment. But, put in human terms, those systems prevented theft of and damage to equipment that was vitally needed, without which whole educational programs would come to a stop.

Our Architectural Barrier Removal program, as mandated by Section 504 of the Rehabilitation Act of 1973, is probably the most extensive undertaking for the handicapped in the country. It consists of removing barriers in 147 schools and will cost a total of $76.5 million. To date we have spent $17.3 million in allocated funds on 58 elementary and intermediate schools.

We also face the necessity of complying with the requirements of Environmental Protection Administration 40 CFR Part 763 as published in the Federal Register May 27, 1982, pertaining to asbestos abatement in our schools. To date we have invested $12 million on that program, less $2.1 millon in grants from the New York State Department of Education. We surveyed all of our facilities and collected bulk material samples for testing. Based on the results of those tests and our visual observations, we removed, encapsulated or structurally contained the friable asbestos materials in approximately 240 school buildings.

Phase II of the program currently underway will concentrate on the repair and replacement of damaged asbestos-containing pipe and boiler insulation which we estimate will cost an additional $5 million at minimum.

While enrollments are declining, the demand for particular school space is increasing. Smaller class sizes and special support facilities are required, if we are to fulfill our commitment to educating the handicapped. While this can mean closing obsolete schools, the city's continually shifting population creates the need for additional school spaces which cannot be met through reassignment to existing facilities. In some cases, new buildings or additions to current facilities are required to replace facilities which cannot be economically renovated, to relieve overcrowding, or to eliminate the use of leased space.

Our school buildings must provide a safe, wholesome physical environment and a mental climate that can stimulate students to work toward an eduation that will enable them to make useful places for themselves in the adult world of tomorrow. But our schools also serve the entire population by providing space for adult education classes, job training courses for adults and a variety of community activities. So, in the true sense of the word, our schools are public buildings, and their repair and maintenance could provide labor-intensive work for painters, bricklayers, electricians—in fact for people in all of the building maintenance trades, thousands in New York City who need jobs. The infusion of funds in this kind of employment legislation will not only benefit the unemployed but will benefit the children and the communities served by those schools.

If it is good policy to use Federal funds to rebuild the Brooklyn Bridge, then it certainly should be good policy to use Federal funds to rebuild and modernize Brooklyn Technical High School.

Thank you for your consideration. I will be happy to answer any questions you may have.

Mr. BIAGGI. Thank you, Mr. Borg. The bill H.R. 1036 makes it permissible to use these funds for schools. Our colleague, Congressman Kildee, has introduced legislation which Mr. Simon and I have cosponsored that authorizes the expenditures of a specific sum of money dealing directly with the school.

Mr. BORG. I am familiar with it. It is a good bill.

Mr. BIAGGI. I understand Chairman Hawkins is giving that serious consideration and it may well be incorporated in his bill. Schools have not been left out.

Mr. BORG. I am aware of your bill and I was very pleased to see it.

Mr. BIAGGI. You are right, you are coming from another perspective and we appreciate it and we are all so happy that we are in a position to tell you that there is a conscious effort to take some action in connection with it.

Mr. SIMON. Just one question on what you are saying. I hope that we can produce a bill that will help resolve your problem. But let's just say that we are not able to do that but we finally do move toward having some kind of a guaranteed job opportunity that is at or near the minimum wage for people and which the unions as well as businesses would have to approve. People would not be assigned to the school systems. Let's just say we had a project to paint all the windows in all the schools. If we had such a project and the supervisors would be people who would be Davis Bacon people, union people, in your opinion, with that kind of a project, would union officials be willing to sit down and work out a cooperative agreement to get that kind of a project going?

Mr. BORG. That is an interesting question. I can't speak for the unions. What I can tell you is that we have just embarked on a painter's apprenticeship program with the local painters union where we have hired about a dozen female welfare recipients with some money from some foundations and some money we have from our career education departments as well as some money I am putting up for materials. We are teaching these women how to be painters and at the end of a year they will be journeymen painters.

So, the painters union has been very cooperative and I see no reason why they would not cooperate further. I can't speak for the electricians or the steam fitters. I would think that if we are talking about putting potential members to work in gainful employment they would cooperate. We certainly would.

Mr. BIAGGI. Will the gentleman yield?

Mr. SIMON. Yes, sir.

Mr. BIAGGI. Is my understanding correct that you have people bidding for contracts who are not necessarily union people?

Mr. BORG. By section 220 they have to pay prevailing wage and I believe that there are certain pension and other benefits that they must provide. My understanding, Congressman, is that as long as they comply with section 220 they are entitled to bid. As a matter of fact, the converse is that we get a regular listing from the comptroller's office of people that are not complying and they are blackballed from bidding.

Mr. BIAGGI. This is a matter of re-enlisting, assessment of the picture. Isn't it true that they have contractors out there that may represent to you that they are complying but they are exploiting employees and some of them are illegal?

Mr. BORG. I have no knowledge of that. What I tell you is this. We audit on certain types of contracts quite regularly. Where we find that they are not providing the benefits we do two things. We withhold money from them, No. 1, and No. 2, we refer them to the comptroller's office where they are blackballed. There is no one in my knowledge that is not paying the full wages. If they are and their employees say nothing about it, there is very little that I can do.

Mr. BIAGGI. That is true. I think that is pretty much the case in some instances.

Mr. SIMON. If I could just add a comment. My experience, and I have had very limited experience in southern Illinois, is that when you sit around and try to work these things out with the unions involved they are willing and eager to cooperate and those who say you can't work out programs like this because the unions won't cooperate are generally people who are not really dealing with the unions. They are people who are antagonistic to the unions.

I thank you for your testimony and the job you are doing and I hope we can do a job in helping you.

Mr. BORG. Thank you so much.

Mr. BIAGGI. Thank you very much. I am hopeful.

There is an unscheduled witness. Mr. Pokorne.

Mr. POKORNE. My name is Milton Pokorne. I represent the group which calls itself the Welfare Grant Increase Coalition and PWP Organizing Committee.

Now, we were informed, perhaps mistakenly, that after the typed list had testified that other people would have an opportunity. That was apparently the mistaken report we got.

Mr. BIAGGI. Anyway, you are being given the opportunity to speak.

Mr. POKORNE. I think it was an oversight because we ourselves are the victims of the crisis. We are the ones who are unemployed and on welfare. We are the ones who are suffering right now and we think we would like an opportunity to offer our testimony.

Mr. Biaggi. You are having it.

Mr. Pokorne. Yes, sir. I thank you for giving it to me.

Now, I agree with practically everything that the chairman said. I am going to get to what I primarily had to talk about. In the opening of this meeting and in the exchange that took place between Mr. Simon and the Lieutenant Governor of New York I think that Mr. DelBello makes a few errors when he refers to the WPA as makework. I grew up during that time. I am a child of the Great Depression and I know that there are 34 things still being enjoyed by the citizens of our country today that were created by WPA labor.

Mr. Biaggi. I think I said that I am also from those times, my friend.

Mr. Pokorne. Now let me tell you what the PWP Organizing Committee is. We call ourselves the Welfare Grant Increase Coalition because we came together around immediate survival needs, but we are in the process of trying to find a new name beause our concerns go beyond just an increase in the welfare grant.

We are really fighting for a full employment economy in which we can all work and nobody will have to be on welfare. This is what we are concerned about.

Now, the PWP in New York, public works program is part of what is nationally known as workfare whereby welfare recipients are given work assignments to earn their welfare checks. They are only given enough hours of work to earn their welfare allotment at the minimum wage of $3.35 an hour.

Now, they are willing to work for their checks. Why not let us work a full week, full time, and increase it to a full-time pay so we can begin to really meet our needs?

But all they are given is enough hours of work to earn the welfare check that they currently get.

At the same time this actually deprives full-time workers jobs. There are now over 15,000 PWP participants in New York City, any two of whom generally average 20 to 25 hours a week, any two of whom are doing the work that could be done by one full-time city worker and District Council 37 of the American Federation of State and County and Municipal Employees has lost those jobs to this process and the jobs are actually being filled by welfare recipients earning their welfare checks, not getting real wages, not getting fringe benefits. It is virtually slave labor for the PWP participants and it is also a union-busting device. It is taking away jobs.

I think that any full employment job has to address itself to this problem of doing away with the welfare program because these other 15,000 slots being filled by PWP workers could provide 8,000 real full-time jobs with real wages and real benefits for real workers. And many of those people would like to be real workers working full time instead of just earning their welfare checks.

Mr. Biaggi. Excuse me. It would seem strange to me in the light of what you say that Victor Gottbaum or Barry Feinstein have not made this an important issue.

Mr. Pokorne. As a matter of fact, they have. It is the general counsel's office at District Council 37 which has cooperated with us and filed a lawsuit which is now in the Supreme Court of New York State to end this program as being illegal.

When the program was first enacted it said that it was only going to give work assignments to do work that would not otherwise be done. But in reality it is doing work that would otherwise be done and would be done by DC37's members and their general counsel's office is acting as our attorneys in suing to end this program.

So I think you should be aware of that, that this issue has to be addressed.

Mr. BIAGGI. There is no question.

Mr. Simon.

Mr. SIMON. I did not mean to interrupt you but if I could just say I happen to agree with you on the WPA concept. I think that is what we ought to be taking a look at and we ought to be moving toward precisely what you say and that is a full employment economy .

Let me say that my bill does not move on the immediate problem, but takes a look at the long-range problem. It does not start until 1985, but says we ought to establish a WPA type of program.

I agree with 90 percent of what you had to say, but disagree with one minor point.

My bill protects AFSCME and other unions. It would permit a veto by either labor or business of any project. It would be a project oriented program so you don't have substitution. That is the problem you are worried about.

Second, workfare is just for people on welfare. If you are out of work you ought to be able to get a job and you should not have to reach that welfare status before you can get that job.

The one area where I disagree with you and where my bill follows the WPA camp, is on the length of the work week. In the WPA you work 4 days a week. My bill does the same. The theory of that is rather than the full workweek, you work 4 days a week so that you can go out on the fifth day and try and find that job in the private sector. And to the extent that this is possible, ought to be encouraged. But otherwise I find myself in general agreement.

Mr. POKORNE. May I comment? You may disagree with me, of course, but I think a large part of the problem today in today's economy with today's costs there is no lack of work; there is a lack of jobs.

There is no lack of work. There is socially necessary useful work that is crying to be done that is not being done simply because in today's market private enterprises cannot make sufficient profit by hiring and paying people to do that work and the only way that work is going to be done is if it is done by the public sector.

There is a desperate housing shortage in this country. There are unemployed construction workers who could be building that housing but there is not enough profit in building housing today at affordable rents that the average person could afford to move into. There is only a market for building luxury housing that the very affluent can move into, but there are not enough of the very affluent so that the housing that people need does not get built and the construction workers remain unemployed.

The New York City subways are falling apart. You take your life into your hands to go into them. They need to be rebuilt and rehabilitated, but, again, no one can make enough profit by hiring people to do that work so it is not being done.

There could be many more examples and I think that in the final analysis public employment is the only answer to these things.

Mr. SIMON. If I can simply add two more, and then unfortunately I am going to have to head out here. Under the WPA we taught 1½ million Americans how to read and write. We now have 25 million functional illiterate adult Americans. We ought to be doing the same.

We ought to be planting 200 million trees. We have a soil erosion problem, an air pollution problem, both of which are helped by planting trees. Why not plant 200 million trees every year in this country and have a finer country in the process?

Mr. POKORNE. I would like to express one more problem that concerns us. That is people who have been unemployed for a long time and have been on welfare, even if they get a reasonably good job with reasonably good pay, they meet their current expenses but very often cannot catch up on their back debts. They remain in debt and should they ever lose the next job, which sometimes happens, they are right back where they started from and have to go back on welfare again. I think they need some sort of a cushion, a shelter period whereby, for the first several months of employment, they continue to receive their welfare benefits in addition to their paychecks so they can pay off their back debts and really get back on their feet economically again.

Some sort of a sheltered period is needed for those who have been out of work for a long time and are just coming back to work. Otherwise, they are never going to catch up on their debts of the past.

I think this is a problem you should take into consideration.

Mr. BIAGGI. We understand it.

Mr. POKORNE. I don't have copies of the bills so I could not refer to them.

Mr. BIAGGI. That last suggestion does not relate to any of the bills that were the subject of this hearing.

Mr. POKORNE. I would like to leave the name and address of our group so that copies of materials in the future could be sent to us plus copies of the bill so that we might make our comments in writing.

Mr. BIAGGI. We will do that. Give it to one of the staff members. The committee is adjourned.

[Whereupon, at 3:15 p.m., the subcommittee was adjourned.]

[Material for inclusion in the record follows:]

A STATEMENT ON EMPLOYMENT AND TRAINING LEGISLATION

The Community Council of Greater New York, as a convenor of over 100 community-based agencies operating employment and training programs in the City and as an advocate for full employment presents the following positions and seek your support of federally-funded legislation to alleviate unemployment and to provide quality training programs for New York City tax payers.

DREAM BIG

Long term unemployment of the structurally unemployed is not only the result of inflation and temporary economic conditions but comes about because of lack of continuity in federal employment policy. In a time of a national unemployment crisis, business, city and state governments do not have the resources to change dreams into reality without a sizable commitment from the federal government. Any investment return is only as great as the size of the investment. Billions in employment and training will have a sizable effect on the investment return of our national tax base and our rate of unemployment.

TRAIN WITH DIGNITY

JTPA-type training is more restrictive on the poor than CETA was and already this national training vehicle is making it more difficult to recruit, train and place the neediest. Heavy "creaming" of the best possible candidates is giving preference to highly qualified trainees while turning away thousands who are not job-ready.

JTPA allowances and stipends now make it very difficult for the neediest adults to apply and remain in training. Because of JTPA formulas covering supportive services, youth and adults will be receiving little or no income incentives while in training. Training programs need to have higher allowances and stipends than presently under JTPA.

A sub-minimum wage for work is a sub-dignified wage and it should not be entertained as a viable cost-savings. We are for wages at or above the minimum wage.

The structurally unemployed with little or no access into the labor market with job readiness skills need to be given the first priority of access into federal training programs. Some "mix" of supportive services such as day care, transportation and remedial education are essential for most paticipants to succeed.

COMMUNITY JOBS

Labor-intensive community job programs benefits a whole variety of people.

We support physical rehabilitation programs particularly when new jobs are created and when the unemployed persons hired are from the neighborhood.

Community betterment projects should not be confined to bricks and mortar. Neighborhood social and health services are most essential services for community job programs.

Community-based organizations and other not-for-profit social welfare organizations are oftentimes the backbone for assuring that quality community job creation programs can work efficiently and should have access to such funding.

Community job programs should be developed by local municipalities in consortium with local business and not-for-profit community-based organizations to insure that they are designed to reflect the needs of each local area.

Such job programs often need interface with other training programs such as classroom training programs, remedial education and job readiness workshops. Flexibility in program design should be sought.

MORE THAN A SUPPLEMENTAL PROBLEM

The national unemployment crisis necessitates a comprehensive commitment from the federal government to training, retraining and placing in the mainstream workforce those persons whose structural unemployment stands as the one insurmountable barrier to share with others in the full American dream. Legislators with foresight understand that our only hope for rebuilding the American economy is to find ways to invest in all human capital endeavors.

TRENDS AND
FORECASTS

A Report on Human Services in New York City, published by the Community Council of Greater New York

SPECIAL ISSUE

Youth Employment And Training in a Year of Transition

THE OUTLOOK FOR NEW YORK CITY

FEBRUARY, 1983

INTRODUCTION

The 1983 federal fiscal year is a year of transition from the Comprehensive Employment and Training Act (CETA) to the Job Training Partnership Act of 1982 (JTPA). It is also the year in which New York City has been called the youth unemployment capital of the nation. The unemployment rate for all of the City's young people is high, especially for non-whites.

The transition away from CETA began in 1981, with the elimination of Public Service Employment (a jobs creation program), and federal funding reductions in remaining training programs. The transition to JTPA is occurring now with a focus on training participants for jobs in the private sector. Program models and requirements have already moved in this direction although the mechanisms of JTPA will not be in place until October 1983 and the provisions of CETA are in effect until then.

The Federal legislation is addressed to individuals of all ages, of course, but in both CETA and JTPA youth are singled out as a specific target population for participation in training and employment efforts. In CETA, programs for youth were operated under particular titles, e.g., Title IIB Youth Employment Program and Title IV Youth Employment Training Program. Under JTPA, adult and youth programs are combined in "Title II Training Services for the Disadvantaged" but a minimum of 40 percent of the funds must be spent on training programs for youth aged 16 through 21.

For many of New York City's youth, training and employment programs can be a bridge to unsubsidized, permanent employment, where values are transmitted, work habits are developed, and skills are learned. There is a range of program models and program initiators -- government, private philanthropy and foundations, and business. The challenge is meeting the diversity of needs of youth, as there is no one type of program that will work for everyone.

This issue of *Trends and Forecasts* presents an overview of year-round employment and training programs for youth in New York City - those now in operation and about to be initiated. Indicators of need, existing services, issues and problems, and current and future directions are discussed, to add to the understanding of this field of service.

INDICATORS OF NEED [1]

Over one million youth aged 16 - 24 lived in New York City in 1980, with more than 451,000 aged 16 - 19 and almost 604,000 aged 20 - 24. The decline in youth population over the last decade (nearly 7 percent), was less than the decrease in the population as a whole; youth 16 - 24 accounted for 15 percent of all City residents in 1980.

There were 147,000 16 - 19 year olds and 396,000 20 - 24 year olds in the labor force[2] in New York City in 1981. More than two-thirds of the younger group and 84 percent of the older-age youth were employed; some were workers who also were attending school, and part-time workers. A total of 109,000 youth were unemployed, including 46,000 16 - 19 year olds and 63,000 20 - 24 year olds. To be counted as unemployed, the youth has to be available for and actively seeking work. (An uncounted number of youth who are neither working nor actively looking for work are not considered unemployed and are classified as "discouraged workers.")

Proportionately fewer of New York City's youth are in the labor force as compared to the nation's. In 1981, the labor force participation rate (the number in the labor force as a percent of the civilian non-institutional population) was 30.2 percent for 16 - 19 year olds in New York City, and 64.4 percent for 20 - 24 year olds. In comparison, the labor force participation rate for all 16 - 19 year olds in the U.S. was 55.4 percent, and 77.3 percent for 20 - 24 year olds.

The unemployment rate for all youth in New York City is substantially higher for 16 - 19 year olds than for 20 - 24 year olds, for all youth compared to all workers age 16 and over, and for the City's youth as compared with the nation's. In 1981, the unemployment rate among 16 - 19 year olds was 31.2 percent up from 22.7 percent in 1971. Among the older age youth 20 - 24, the unemployment rate was 15.9 percent in 1981. Among all workers 16 and older in New York City, the unemployment rate was 9 percent. Although youth aged 16 - 19 were 4.8 percent of the civilian labor force in New York City in 1981, they accounted for 16.9 percent of the unemployed. New York City's youth unemployment rates were higher than the 1981 national average which was 19.6 percent for 16 - 19 year olds, and 12.3 percent for 20 - 24 year olds.

Young males have a higher unemployment rate than females in both youth age groups. The rate for females aged 16 - 19 in 1981 was 28.7 percent, for males: 33.9 percent. Among 20 - 24 year olds, the rate was 14.1 percent for females and 17.4 percent for males.

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[1] Sources: U.S. Bureau of the Census, Census of Population: 1970, Census of Population: 1980; U.S. Department of Labor, Bureau of Labor Statistics, Geographic Profile of Employment and Unemployment, 1971 and 1981, Labor Force Statistics Derived from the Current Population Survey: A Databook. Volume I, September 1982, and unpublished data.

[2] Persons counted as employed plus those classified as unemployed during the reference week specified for use by the Current Population Survey, conducted monthly by the U.S. Bureau of the Census under contract with the U.S. Department of Labor. All others are classified as "not in the labor force."

There are substantial differences among the subgroups when 1981 unemployment rates are examined for 16 - 19 year old males and females by race:

1981 unemployment rate for 16 - 19 year olds

Non-white males	56.6
Non-white females	48.9
White males	25.1
White females	20.3

The youth employment and training programs described below have evolved in response to these needs.

EXISTING SERVICES

The thrust of recent employment and training services is derived from the federal programs, first CETA and now the Job Training Partnership Act of 1982. In this transition year of 1983, programs funded under federal authority and administered by the New York City Department of Employment largely conform to models funded in previous years, with shifts in emphasis and a scaling back in scope. Although the federal leadership is the most prominent, it is not the only basis for employment and training programs for youth. Other initiatives, smaller in scale, exist, supported by business and philanthropic funds as well as by state agencies.

This section provides information on two systems of access to employment and training -- the State Job Service and the Job TAP Centers -- then describes the City Department of Employment (DOE) administered services as a whole, the Private Industry Council, and then presents examples of programs for youth by type: pre-employment, classroom and on-the-job training, work experience, other programs for youth in school, career development, and special demonstrations.

SYSTEMS OF ACCESS

The New York State Job Service of the State Department of Labor provides testing, counseling, and placement services to persons of legal work age. Youth may go to two Youth Opportunity Centers (one in Brooklyn, one in Manhattan) or to a regular Job Service Office (which serve persons of all ages). In addition, in cooperation with the New York City Board of Education, the Job Service has counselors and interviewers outstationed in 47 high schools, who provide assistance in securing part-time employment. There were more than 76,000 active applicants under age 22 throughout federal fiscal year (FFY) ending September 30, 1982, accounting for 19 percent of all applicants to the Job Service. More than 7,000 individuals under age 22 received counseling, nearly 2,600 were tested, and over 20,000 youth were placed in jobs.

Job Testing Assessment and Placement (TAP) Centers are administered by voluntary agencies under contracts with the New York City Department of Employment.

Job TAP Centers are an access point for referral to training, education or a job for New York City residents 16 years of age and older. They also offer work orientation, counseling, and testing services. Eighteen Centers are funded in FFY 1983 at $7.8 million; federal funds account for 90 percent and city tax levy for 10 percent. Beginning July 1, 1983, DOE expects to fund 12 Job Tap Centers with a projected 12-month enrollment of more than 33,000 persons, about one-third of whom would be aged 16 - 21. These Centers may be operated by community-based organizations, education agencies or institutions, or other non-profit or for-profit organizations. Referrals to CETA training programs are made through a "Central Order Board" and training contractors set aside a certain percentage of their training slots for TAP registrants. Referrals are made to non-CETA training programs and educational institutions as well.

NEW YORK CITY DEPARTMENT OF EMPLOYMENT

The Department of Employment (DOE) of the New York City Human Resources Administration is the primary municipal agency for employment and training services and has been the local administrative agency under CETA. The Department develops programs and contracts with voluntary and private agencies and organizations to provide occupational training and placement services for disadvantaged persons in New York City. Disadvantaged persons are defined, in most instances, as having income at no more than 70 percent of the U.S. Department of Labor's Lower Living Standard; for 1982/83, this means $10,990 per year for a family of four in New York City. Public assistance recipients are automatically eligible.

The Department's Consolidated Youth Employment Program (CYEP) serves youth aged 16 - 21, but the adult programs also serve youth, having 18 as their minimum age for participation. In federal fiscal year ended September 30, 1982, 48 percent (14,567) of all participants were youth aged 14 - 21[3] (61 percent aged 16 - 19, 39 percent aged 20 - 21). DOE's plan for the current year (FFY 1983) is to serve 10,039 youth (63 percent aged 16 - 19, 37 percent aged 20 - 21), representing 39 percent of all participants. Despite the drop in the proportion youth will be of all DOE enrollees, youth are represented in DOE's programs to a greater extent than their presence in the City's population (almost 10 percent).

The Department has set the following population service goals for the Consolidated Youth Employment Program for the current year: 59 percent 16 - 19 year olds, 41 percent 20 - 21 year olds; 55 percent males, 45 percent females; 59 percent black non Hispanic, 30 percent Hispanic, 10 percent white non-Hispanic; 42 percent Brooklyn residents, 33 percent from the Bronx, 15 percent from Manhattan, Queens - 8 percent, Staten Island - 2 percent.

The focus of the current year's CYEP is on placing youth in private sector jobs through classroom training, on-the-job training (OJT), and, to a lesser extent than before, work experience.[4] Emphasis is on serving out-of-school youth; for those in school, it is planned that 75 percent of participants be graduating seniors not expected to go on to higher education and the remainder returning out-of-school youth, potential dropouts and other seniors.

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[3] In 1982, programs were allowed to serve youth aged 14 and 15; age 16 is the minimum age in 1983.

For the 1983 federal fiscal year, 4,246 youth are expected to be participants in DOE's youth programs operated by 61 contractors, with funding of $13.6 million.[5] This is a decrease from the previous year when more than 5,000 were enrolled in programs operated by 77 youth contractors, with total federal funding of $19.3 million. In addition to reduction in the number of contracts and participants, this year's contract budgets were reduced from a level of $250,000 to $200,000 per program, which includes allowances and wage subsidies for participants, as well as program operation and training costs. (A few programs, operated by a consortium of agencies, have a budget of $400,000).

PRIVATE INDUSTRY COUNCIL

Under Title VII of CETA (Private Sector Initiatives), federal funds through DOE go to the Private Industry Council (PIC) whose job is to train workers to meet the labor force demands of local business and industry. Formed in 1979 to supervise the training of CETA candidates for employment in the private sector, the New York City PIC acts as a broker between business and workers, designs training programs (youth and adult) in response to business needs, and uses Title VII and private funds for program operations and stipends. The PIC has 59 members, two-thirds are business or corporate representatives, one-third are civic, union, or community leaders. For FFY 1983, the PIC received $9.2 million in federal funds, approximately half is spent for programs serving youth. In addition, about $135,000 from private foundations is used to fund a number of partnership programs, with the involvement of business, schools, and community-based organizations, which aid the transition between school and work. Approximately 300 youth are expected to be served in the period from October 1982 - June 1983.

EXAMPLES OF EXISTING PROGRAMS

Examples of a variety of existing employment and training programs for youth are listed by type of service. Following the table, which provides a visual outline, are detailed descriptions.

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[4] See p. 7, 8 for a definition of these terms.

[5] Some agencies have multiple contracts. In addition, there are 66 adult program contractors (some with more than one program), serving persons age 18 and older, with federal funding of approximately $40 million.

EXAMPLES OF EXISTING PROGRAMS [a]

Type of service and name of program	Sources of funding [b]	Ages of participants	Number served (per year) [c]
Pre employment			
. Jobs for Youth	Private	16 - 21	600 - 700 new, 100 - 200 returning
. COBY Service to Business	Fees from businesses	18 - 24	NA
Classroom and/or On-th -Job Training			
. Pius XII Youth & Family Services	CETA	16 - 21	72
. Northwest Bronx Community & Clergy Coalition	CETA	17 - 21	68
Work Experience			
. NYC Board of Education	CETA	16 - 21	250
. Coney Island Hospital	CETA	16 - 21	40
. Girls Club Youth Energy Program	U.S. Dept. of Energy & foundations	16 - 18	36
. PIC Vocational Exploration Program	CETA & private	16 - 21	90
. COBY Vocational Exploration Program	Private and CETA	17 - 21	125 - 170
Other Programs for Youth in School			
. FEGS Operation Success	NYS Education Department	16 - 21	1,720
. Education Employment Collaborative	NA	15 - 16	500
. Youth Employment Demonstration Project	NA	16 - 18	NA
. Martin Luther King High School	CETA & private	Ninth & tenth graders	65
Career Development			
. Vocational Foundation, Inc. Joint Urban Manpower Program	NYS Dept. of Transportation & CETA	18 - 21	12 (11 months)
. VFI - Pattern Grading Training	CETA	16 - 21	14 (6 months)
. COBY Brooklyn Utilities Training Program	NA	18 - 21	25 (11 weeks)
Special Demonstration			
. Henry St. Settlement ON TARGET	U.S. Dept. of Labor and Dept. of Justice Office of Juvenile Justice and Delinquency Prevention	17 - 21	75

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[a] See program descriptions for details.

[b] Does not include source of contributed or loaned staff or other resources.

[c] Not including summer-only programs.

PRE-EMPLOYMENT PROGRAMS

Jobs for Youth (*JFY*) is a non-profit youth employment agency for young people aged 16 - 21 who are out of school, out of work, and economically disadvantaged. JFY's year-round citywide program involves vocational counseling, work-related educational services, job development, placement and follow-up. Between 600 - 700 new youth are served each year plus 100 - 200 youth who return for another placement. Seventy percent are high school dropouts, 90 percent are minorities. Annual funding for this year-round program of Jobs for Youth is about $550,000, all from private philanthropic sources.

There are three program components to the JFY year-round program: 1) vocational counseling - one-half day orientation, individual counseling (average 4 - 6 sessions) to get youth job ready and placed as soon as possible, and follow-up counseling once a youth is placed; 2) education - competency-based learning within the context of work, in which the goals are individualized; 3) job development and placement - youth are placed in unsubsidized private sector jobs developed by JFY's job developers. Most employers are small to medium-sized, and most positions are minimum wage entry level - stock, clerical, messenger, etc.

Career Opportunities for Brooklyn Youth (*COBY*) *Service to Business* utilizes the Targeted Jobs Tax Credit (TJTC) program, a federal program designed to encourage businesses to hire disadvantaged persons.[6] The pilot project is a link between eligible applicants and businesses. The service recruits and screens TJTC applicants from Brooklyn who match entry level job requirements of participating employers throughout the City. Businesses who hire a worker through this service pay COBY a fee ($525) for each position filled.

Classroom And On-The-Job Training Programs[7]

Approximately 50 of DOE's 61 CYEP contracts are for classroom training, i.e., "occupational skills training conducted in a classroom setting; instruction also includes basic skills upgrading such as English as a Second Language and preparation for the General Equivalency Diploma (GED)," and on-the-job training, i.e., "training conducted with private employers on a 'hire first, train later' basis to enable individuals to acquire comprehensive knowledge of a skill and to qualify for an occupation through demonstration and practice,"[8] Program requirements and performance criteria are established by DOE but programs have various designs and specific criteria are based on program design.[9] Youth in classroom training are paid a maximum basic allowance of $30 per week (generally for 30 hours per week). In OJT programs, DOE pays 50 percent of the wages with the employer paying the other half; wages average $4 per hour. Annual funding per contract amounts to no more than $200,000.

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[6] Businesses which hire hard-to-employ low income populations (youth aged 18 - 24, Vietnam-era veterans, handicapped persons enrolled in or having completed vocational rehabilitation, SSI or public assistance recipients, ex-felons) can claim a tax credit of 50 percent on the first $6,000 of an employee's first year's wages and a 25 percent tax credit on the first $6,000 earned by the employee in year two.

[7] See p. 4 for an overview of DOE's youth programs and service statistics.

[8] City of New York, Department of Employment, 1981 Annual Report.

Two examples of classroom training and OJT programs are:

> *Pius XII Youth and Family Services* offers classroom training in clerical skills and auto mechanics. Thirty-six Bronx youth are enrolled in this program and attend 5 days per week for 24 weeks. There are two training cycles per year. Employability and education plans are developed for each youth; GED preparation is offered for youth without diplomas. Youth aged 16 - 21 are eligible but most are 19 - 20 years old. The entrance criteria is reading and math at the seventh grade level.
>
> *Northwest Bronx Community and Clergy Coalition* has a contract for both classroom training and on-the-job training for youth aged 17 - 21 in the Bronx. Classroom training consists of bank teller skills development and acquisition of a GED. Youth in the on-the-job training component are placed in private sector entry level positions. There are two training cycles per year of 6 months each, each cycle has 34 enrollees. A 7.5 grade reading and math level is required for participation.

Work Experience Programs

Work experience is defined under CETA as subsidized employment for in and out-of-school youth "designed to help youth overcome lack of educational and vocational skills, inadequate preparation for labor force participation and inability to find or apply for employment."[10] DOE has CYEP work experience contracts with four school systems (Board of Education, Archdiocese of New York, Diocese of Brooklyn, National Society of Hebrew Day Schools). The programs are primarily for in-school youth but some also have GED preparatory educational components for out-of-school youth. Youth receive the minimum wage ($3.35/hour) for work experience. Annual funding per contract is no more than $200,000, except for the NYC Board of Education program (described below) which receives $500,000.

> *New York City's Board of Education* program has 250 high school juniors and seniors aged 16 - 21 placed in part-time employment. Employability plans are developed for each youth, with a goal of job placement for most of the seniors.

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[9] Programs are required to place a certain percentage of enrollees in unsubsidized employment at the end of training; each program has a job development and placement component.

[10] City of New York, Department of Employment, 1981 Annual Report.

There are also six agencies which operate work experience programs under contract with DOE. An example is:

> *Coney Island Hospital's* work experience/GED preparation program for youth out-of-school. Youth work a half day in the hospital and work toward a GED the other half day. After achieving a GED, the youth are placed in jobs either within the hospital or elsewhere. Forty youth participate, in two daily shifts, for a little less than one year. They are paid minimum wage for the work experience portion of the day and a classroom training allowance for attendance at GED preparation.

An example of another type of work experience program:

The Girls Club Youth Energy Program offers work experience in weatherization (storm or replacement windows) of low income buildings. Thirty-six youth aged 16 - 18, who are income eligible, work a half day and attend school or GED preparatory classes for the remainder. Once a week, they participate in benchmarking sessions - assessing the development of their work site skills, habits and attitudes, and their academic progress. The youth are paid a minimum wage and must meet production quotas. Length of participation is generally for a year with the goal of obtaining a GED and a job. Funding comes from the U.S. Department of Energy and foundations. Training cost is estimated at $2,000 - $2,500 per trainee.

Vocational Exploration Programs also provide youth with work experience.

> *The Private Industry Council's*[11] *Vocational Exploration Program* (VEP) is an example of a work experience and job readiness program. PIC's program lasts 13 weeks, during the first 8 weeks, youth are assigned to jobs in the private sector and attend job readiness and counseling sessions at PIC. If youth are not hired by their employers, the next five weeks are spent in job search or fulfillment of other outcomes: enrollment in skills training, apprenticeships, armed services, further formal education. Currently, VEP has 90 CETA-eligible youth placed with 25 employers. Youth are paid an allowance of $30 per week, however, some businesses match this amount while others provide free lunch. The program is supported by CETA Title VII (Private Sector Initiatives), funded through the City Department of Employment.
>
> *COBY's Vocational Exploration Program* places Brooklyn youth aged 17 - 21 in Brooklyn businesses for eight weeks, in a Spring and Fall cycle. Youth must be job-ready but need a "bridge" to employment. Short-term counseling is provided and group counseling in the form of a job search club is offered to youth who have been through the COBY program. Annual participation is between 125 and 170 youth. COBY's 1983 level is $165,000 which comes from a combination of fees for services, business contributions and PIC CETA funds.

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[11] See p. 5 for a description of the Private Industry Council.

Other Programs For Youth In School

Operation Success, operated by Federation Employment and Guidance Service (FEGS) in partnership with three public high schools (in cooperation with the New York City Board of Education and United Federation of Teachers) attempts to link the school experience with the world of work. The program provides a continuum of services: skills training, career exploration and assessment, diagnostic and vocational evaluation, educational internship, part-time employment, and education. Youth through age 21 who are at risk of dropping out of high school, who have dropped out, or have excessive absences, are eligible. Academic attendance (in regular classes, GED preparatory or truancy programs) is required. Depending on the particular program, the youth may be at school part of the time, at FEGS facilities and at internships in the community. They may participate in skills training in jewelry manufacturing, appliance repair, business, etc., together with individuals of all ages. Some allowances are provided for attendance in skills training and educational internships (work experience). Operation Success is projected to serve more than 1,720 youth from September 1982 - June 1983 at three high schools (Erasmus Hall in Brooklyn, Seward Park in Manhattan, and Christopher Columbus in the Bronx). Funding of about $1 million comes from the New York State Education Department.

Education Employment Collaborative is a program for about 500 15 - 16 year olds who have been held back from promotion twice in the seventh grade ("double holdovers") which will reinforce classroom training and prepare youth for employability. A collaborative effort between the State Division for Youth, City Youth Board, City Department of Employment, Board of Education, New York City Partnership, and community-based organizations, the program consists of small classes, occupational and vocational classroom training, and work experience (with allowance) in subsidized and unsubsidized jobs. The 18 month program has three phases: 1) beginning Spring 1983 - employability skills training and two hours per day of work experience, 2) summer work experience, 3) Fall 1983 - placement in high school occupational employment and training, and work experience.

The Youth Employment Demonstration Project, a collaborative effort between the New York City Board of Education and United Federation of Teachers, is a program of part-time employment for 16 - 18 year olds in school or returning to school (or dropout centers) with development of employability skills and placement in unsubsidized jobs. The program is designed to enhance the connection between school and work. Four high schools in three geographic areas (upper Manhattan and the Bronx, Long Island City, northern Brooklyn) will participate, beginning in February, 1983.

Martin Luther King High School has a program which links school curriculum and work. The program for tenth and eleventh graders, some of whom are CETA income eligible, offers work experience, job readiness and academic instruction. Sixty-five youth are in the program this year. Personnel are provided by the Board of Education and Citibank. PIC coordinates the program (with funds from Rockefeller Brothers Fund, New York Community Trust, and the Corporate Special Projects Fund), provides equipment, and gives stipends for youth who are CETA income eligible. The annual budget is about $207,000, not including stipends.

Career Development

The Joint Urban Manpower Program in cooperation with *Vocational Foundation, Inc.* (VFI), offers training in junior drafting and architectural engineering. Youth aged 18 - 21 participate in an 11-month program of classroom and on-the-job training: 5 months at VFI for a half day of classroom training, and a half day OJT at an engineering firm. The next six months are spent in full-time on-the-job training. Youth are paid a minimum of $4.50 per hour for the full 11 months. Twenty-three youth were trained in 1981/82; program cost was $95,000 (not including wages for youth). Twelve are being trained in 1983. Funds come from the New York State Department of Transportation and through PIC.

Vocational Foundation, Inc. also administers *training in pattern grading* for the garment industry. The six month program is divided into a half day classroom training at Fashion Institute of Technology and a half day OJT with a manufacturer. Wages are set at $4.50 per hour full-time. Most youth are 18 - 21. The program began in January 1982 with 13 youth of whom 11 graduated in June. A second group of 14 youth began in October 1982. PIC funding of about $34,000 is provided for program costs (not including salary reimbursements paid to employers).

The COBY Brooklyn Training Program offers training in various jobs at Brooklyn Union Gas and as customer field representatives at Consolidated Edison, for 18 - 21 year old economically qualified Brooklyn youth. Training is provided by COBY and the utilities. At the end of the 11 week training (from January - April 1983) 10 to 15 positions respectively, will be available at each utility. Income eligibility is no more than 70 percent of the BLS Lower Living Standard; reading level should be at eighth or ninth grade. If this demonstration is successful, it will be repeated at the end of 1983.

Special Demonstration

The Henry Street Settlement Employment Service ON TARGET (Tools for Achieving Realistic Goals through Employment Training) Program is directed at high risk youth aged 17 - 21 who are unlikely to be able to keep or find a job in any other way. Low income, single parenthood, high school dropout, recent arrival (1 - 5 years) to the U.S., and court involvement are characteristics which place a youth in the high risk category. Geographic eligibility covers Manhattan's lower east side, the South Bronx, and parts of Brooklyn (Brownsville, Crown Heights, East New York).

ON TARGET has three levels. The first, lasting 1 - 2 months, including testing, vocational training in sewing and carpentry as well as basic skills upgrading using a computer, job readiness and supportive services, and outreach to youth who are absent from the program. Youth attend for four full days per week. Level two consists of about one month of on-the-job training in subsidized or unsubsidized jobs of any type. Level three is placement in permanent employment.

Youth in this program, which is designed for 75 youth, are paid only for transportation, although funds are available for emergency situations on an individual basis. It is funded for one year at $200,000 as a demonstration by the U.S. Department of Labor and U.S. Department of Justice Office of Juvenile Justice and Delinquency Prevention.

ISSUES AND PROBLEMS

The basic dilemma in the design of employment and training programs for youth is the development of programs which meet the needs of the youth and of the employer so that youth will have the experience and skills necessary to obtain employment and the employers will have a skilled and productive work force. The question is how best to achieve this for an economically disadvantaged youth population, with little or no previous work experience and little opportunity to develop good work habits, at a time of economic recession -- when job finding is difficult for the skilled and experienced worker. During the 1983 fiscal year and under the new federal legislation, the focus of the CETA/JTPA-funded programs has shifted more toward the higher functioning youth who are most likely to complete training and toward meeting the labor needs of employers, with the goal of placing youth in unsubsidized employment. This is evidenced by shorter training cycles - 6 months instead of a year or more, on-the-job training programs which usually are built around vacant jobs, more classroom training programs which often require youth to have higher reading levels and where the curriculum must respond to labor force needs, and, at the same time, less work experience opportunities which often is a first job.

Questions remain as to whether youth will be able to move from these short-term training experiences to permanent jobs. Already, program operators report the phenomenon of youth going from one program to another. Programs for youth who have not yet developed good work attitudes and behavior, who read below the seventh and eighth grade reading levels required by many programs, and who need a longer time in which to identify with new role models are being left out of most of the CETA-funded programs as they now exist and may be limited under JTPA. For this group of youth, an investment in more comprehensive and intensive programs that teach the value of work and of individuals as workers, and which develop employability skills, is crucial. This is not the role of the employment and training agencies alone, however. The education system also must take major responsibility for this and continue to tackle the high school dropout problem. Employers and labor unions also should be involved, through participation on education advisory councils, loaned staff and resources. Short-term employment training aimed at transmitting specific skills is needed, of course, but should not be provided in place of work experience, job readiness and employability skills.

The payment level of allowances or wages to youth in training programs in a controversial issue. In the past, youth received an allowance of $2.00/hour for classroom training; this year $1 per hour is generally the allowance (stipend). Also, many more programs provided work experience which paid $3.35/hour, an amount equal to the minimum wage for regular employment. This year only a few of these work experience programs exist. Under JTPA, training allowances may be paid to participants; funds are limited. While there is concern that youth must learn to consider training as an investment, many have family responsibilities and at $1 per hour cannot afford to participate. Also, because the amount of remuneration is low, current programs have less leverage for penalties or awarding incentives, where warranted. While there is some feeling among employment and training experts that previous programs may have paid too much, youth should not be exploited if they are doing a job, even in a work experience situation. There is opposition to paying youth stipends (less than minimum wage) for work experience on these grounds, as well.

There is need for organized resource and information sharing among the various CETA/JTPA as well as programs funded by other public and private sources - goals, program descriptions, eligibility criteria, participation or training cycles. Matching the person with the program is even more important than before, given reduced funding and the performance requirements placed on programs by funding agencies. Generally, youth are referred to programs by community agencies (many of whom may not know all available resources). Finding the most appropriate program should not be a "hit or miss" operation and should be accomplished rapidly to avoid youths' discouragement in seeking training and employment so they do not drop out of the labor force altogether.

CURRENT AND FUTURE DIRECTIONS

The major shift in employment and training programs for youth stems from the *expiration of the federal Comprehensive Employment and Training Act (CETA) and the initiation of the Job Training Partnership Act (JTPA)*, which will be operative October 1, 1983. The current year is considered to be a transitional one. The purpose of the JTPA is to prepare youth and unskilled adults for entry into the labor force, and provide job training to economically disadvantaged individuals and other facing serious barriers to employment. The legislation establishes a partnership between private industry and local government. It is not a "jobs bill" as was CETA, which included public service employment.

Ninety percent of the JTPA participants must be economically disadvantaged, defined as receiving public assistance or food stamps, with family income below 70 percent of the BLS Lower Living Standard, or handicapped and having personal income below that level. At least 40 percent of the local training funds must be spent on youth under age 22. The minimum age for most programs is 16 years, although 14 and 15 year olds may participate in pre-employment skills training.

The states and Private Industry Councils are key actors in the JTPA legislation. Governors will designate Service Delivery Areas within their states, establish a state job training coordinating council made up of representatives of the private sector, state legislature and agencies, local government, labor, community-based organizations, etc., and must approve local training plans. The local plan must be developed and approved by the local government and the PIC, and upon local agreement either may administer the program. Membership requirements for the PIC are 51 percent business representatives and 49 percent representatives from rehabilitation agencies, community-based organizations, labor, educational agencies, and the state employment service.

The thrust of the new law is on training for unsubsidized employment. Seventy percent of the federal JTPA funds are for training, 15 percent for administrative costs, and 15 percent for supportive services including allowances (which are not mandatory) for transportation, day care, meals, etc. Allowable activities include skills training, on-the-job training, pre-apprenticeship programs, advanced career training, on-site industry specific training, job search assistance, work experience, and remedial education. Among the exemplary programs for youth may be "entry employment experience" (tryout employment) and school to work transition assistance (job clubs, occupational information, other job search assistance). Although many of these are types of training allowed under CETA as well, the development of actual programs will be defined also by cost limitations imposed by the legislation. For example, youth in work experience are to be paid minimum wage, but it is currently assumed that funds for wages would come half from the supportive services allocation and half from the training allocation. Specific programs in New York City await the release of federal regulations and the development of a local plan: program planning is just now beginning.

At the state level, legislation is expected to be introduced which would fill some of the gaps in the JTPA. The State Human Investment Program, developed by Assemblyman Angelo Del Toro, chair of the Assembly Social Services Committee,with community and advocacy organizations, has provisions for a youth internship program in the public, non-profit or private sector for 16 - 21 year-olds. Also included is a community jobs program in the public and private non-profit sectors. No dollar amount of State funds has been proposed as yet.

Several local developments will impact youth employment and training programs. For one, the New York City Partnership, an organization composed mostly of corporate chief executive officers or presidents is undertaking a year-round effort to develop entry level jobs in private business and industry for economically disadvantaged youth aged 18 - 21. The Partnership's Youth Employment Task Force has a goal of 1,000 year-round jobs. PIC's Youth Serving Council, an advisory group of major youth serving organizations and coalitions of smaller voluntary organizations, will have a role in deciding which community-based organizations will be involved in recruiting and referring youth and in working out issues of equity, dependability, and an efficient system of matching youth to jobs.

Community Council of Greater New York will be shifting its role in youth employment from direct service to a job creation and training effort which will promote the availability of jobs and training opportunities for low and moderate income persons in New York City, with special emphasis on the needs of the long-term unemployed and youth. Activities would include advocacy, policy analysis, technical assistance to programs, and information sharing.

Analysis of this program area points to the increased participation of the private sector in determining the shape of employment and training for youth; federal legislative emphasis on youth who, with brief training, are able to move into unsubsidized jobs; and a greater emphasis on programs which strengthen the link between education and work.

RELATED COUNCIL PUBLICATIONS

Trends and Forecasts:	Education Alternatives for New York City's Youth, November 1980
Research Utilization Update:	Reducing Youth Unemployment: Recent Research on School-Work Linkages, January 1981
	Impact of Youth Employment Programs in School and Work Behavior: New Knowledge from Recent Research, April 1981.
	Unemployed Youths and the Private Sector: Research on Businesses as Work Sponsors, September 1982.
Research Utilization Workshop Proceedings:	The Path to Employment: Implications of Recent Research on Placing Disadvantaged Youth in Private Sector Jobs, forthcoming.

* * * * * *

Trends and Forecasts is prepared by Donna M. Tapper, Social Welfare Analyst, Research and Program Planning Information Department. For information, call 777-5000 ext. 126, or write Community Council of Greater New York, 225 Park Avenue South, New York, N.Y. 10003.

PREPARED STATEMENT OF NICHOLAS E. BORG, EXECUTIVE DIRECTOR, DIVISION OF SCHOOL BUILDINGS, NEW YORK CITY BOARD OF EDUCATION

I. INTRODUCTION

Good morning, Chairman Hawkins and members of the subcommittee. My name is Nicholas Borg. I am Executive Director of the Division of School Buildings of the New York public school system. In this capacity, I am responsibile for some 964 school buildings, which house 918,384 students.

I want to express my appreciation to you, Mr. Chairman, and to the members of your subcommittee, for the opportunity to appear before you today. I would like to urge you, when you consider legislation intended to provide jobs through the maintenance and repair of public buildings, to remember our schools. The City's fiscal plight has produced years of deferred maintenance which has accelerated the normal deterioration of our buildings. The prospect of unabated continued neglect will inevitably propel us into a downward spiral of damage from which we may never recover.

II. DESCRIPTION OF THE NEED

In the New York City public school system, we have estimated a need of nearly $100 million for maintenance and repair projects in our school buildings that need attention right now. All but our newest school buildings require some attention and we simply do not have the money. In fact, with our total present annual allocation for this type of work at $62 million—$47 million in capital monies and $15 million in tax levy monies—we have a $38 million maintenance gap for Fiscal 1983. All indications of the City's financial plight strongly suggest even lower funding levels, thus further expanding our maintenance gap.

Many of the needed repairs are minor but, because of the lack of funds, are postponed for so long that they become what should be avoidable major problems. For example, wooden windows only eight to ten years old begin to rot prematurely because we lack funding for exterior painting. It costs about $50 every eight years to paint a window; it costs $1,000 to replace a window.

Nearly all of our maintenance money is spent trying to keep our school buildings sealed and warm and in keeping the major mechanical systems operable. Maintenance funds are reserved for such high priority items as roof and boiler repair, water service breaks, window glass replacement, repairing and replacing parapet walls and chimneys, etc. After attending to the most essential work, little of our allocation is left over to handle minor repairs and, except as part of a renovation, no money is allocated for cosmetic work.

Physical surroundings that encourage and engender learning, however, demand a great deal more than just an absence of major roof leaks and heat in the winter time. Who can estimate the impact of class rooms with falling plaster and peeling paint, where doors sit askew in their frames and where there aren't enough shades on the windows to reduce the glare of sunlight on the blackboard. How difficult it must be to motivate oneself in an environment lacking such basic amenities as floor and ceiling tiles that are not replaced, gymnasium floors that are warped due to moisture penetration and auditoriums that must be used as cafeterias and play areas. And even when a boiler is in need of repair, if two out of three boilers in the building are operable, we'll often defer repair on the third. Managing our underfunded budget is fast becoming a crap shoot.

Our Capital Budget also under funds other important activities. However, not everything it funds appears quite as bleak. We're doing well in some areas.

For example, schools need modern alarm systems to reduce vandalism, unlawful entry and arson. Where new systems have been installed, these incidents have been reduced and the monitary savings, over a two year period, were equal the initial investment. But, put in human terms, those systems prevented theft of and damage to equipment that was vitally needed, without which whole educational programs would come to a stop.

Our Architectural Barrier Removal Program, as mandated by Section 504 of the Rehabilitation Act of 1973, is probabaly the most extensive undertaking for the handicapped in the country. It consists of removing barriers in 147 schools and will cost a total of $76.5 million. To date we have spent $17.3 million in allocated funds on 58 elementary and intermediate schools.

We also face the necessity of complying with the requirements of Environmental Protection Administration 40 CFR Part 763 as published in the Federal Register May 27, 1982, pertaining to asbestos abatement in our schools. To date we have invested $12 million on that program, less $2.1 million in grants from the New York

State Department of Education. We surveyed all of our facilities and collected bulk material samples for testing. Based on the results of those tests and our visual observations, we removed, encapsulated or structurally contained the friable asbestos materials in approximately 240 school buildings.

Phase II of the program currently underway will concentrate on the repair and replacement of damaged asbestos-containing pipe and boiler insulation which we estimate will cost an additional $5 million at minimum.

While enrollments are declining, the demand for particular school space is increasing. Smaller class sizes and special support facilities are required, if we are to fulfill our commitment to educating the handicapped. While this can mean closing obsolete schools, the City's continually shifting population creates the need for additional school spaces which cannot be met through reassignment to existing facilities. In some cases, new buildings or additions to current facilities are required to replace facilities which cannot be economically renovated, to relieve overcrowding, or to eliminate the use of leased space.

III. CONCLUSION

Our school buildings must provide a safe, wholesome physical environment and a mental climate that can stimulate students to work toward an education that will enable them to make useful places for themselves in the adult world of tomorrow. But our schools also serve the entire population by providing space for adult education classes, job training courses for adults and a variety of community activities. So, in the true sense of the word, our schools are public buildings, and their repair and maintenance could provide labor-intensive work for painters, brick-layers, electricians—in fact for people in all of the building maintenance trades, thousands in New York City who need jobs. The infusion of funds in this kind of employment legislation will not only benefit the unemployed but will benefit the children and the communities served by those schools.

If it is good policy to use Federal funds to rebuild the Brooklyn Bridge, then it certainly should be good policy to use Federal Funds to rebuild and modernize Brooklyn Technical High School.

Thank you for your consideration. I will be happy to answer any questions you may have.

Prepared Statement of Gordon M. Ambach, President of the University of the State of New York and Commissioner of Education

I am Gordon M. Ambach, President of the University of the State of New York and Commissioner of Education. I appreciate the oportunity to present my comments on the following jobs creation proposals which are being considered by the House Committee on Education and Labor: H.R. 1036, the Community Renewal Employment Act; H.R. 777, the Full Employment Work Opportunity Act; H.R. 1060, the Long-Term Investment and Full Employment Act of 1983; H.R. 1046, the National Jobs Creation Act of 1983; and H.R. 116, the Job Opportunity and Business Stimulation Act.

In general, we support comprehensive Congressional job creation legislation to rebuild the Nation's deteriorating infrastructure. However, proposals that address the unemployment problem through rebuilding roads and bridges should also include education and library facilities. The Congress should be as concerned about holes in the roofs of our schools as it is with potholes in our highways.

The proposed Congressional initiatives, for the most part, do not address this need. At one end of the spectrum, H.R. 1060 would provide funds for the maintenance, repair, renovation or reconstruction of public schools, but fails to provide assistance to all educational facilities, including postsecondary institutions and libraries. At the other end, H.R. 1046 would deny funds to library and cultural centers.

A bill has been introduced in the House which focuses on the critical infrastructure needs of the full range of educational facilities—H.R. 1720, the Emergency Educational Facilities Repair and Renovation for Jobs Act. H.R. 1720, the Emergency Educational Facilities Repair and Renovation for Jobs Act. H.R. 1720 would provide funds for the employment of unemployed individuals in the maintenance, repair, renovation and reconstruction of public elementary and secondary schools, the reconstruction or renovation of postsecondary institutions and libraries and repair, renovation, remodeling and alteration of public libraries.

Let me explain why H.R. 1720 should be enacted from a New York State perspective. I will frame my remarks within the context of each of the bill's three major titles.

TITLE I—ELEMENTARY AND SECONDARY EDUCATIONAL FACILITIES

During the first seven months of the current program year, July 1982 through January 1983, the New York State education Department approved 735 capital construction projects (see Attachment A for a detailed analysis by LEA), as compared to 702 approved projects for the entire 1979-80 year. It is estimated that by June of this year over 1,000 projects will have been approved, totaling over $135 million. These are projects ready to begin immediately.

H.R. 1720 would play an important role in improving elementary and secondary school facilities. Because of tight fiscal conditions, there has been a continuing deferral of capital improvements and major maintenance which has led to building deterioration. It should be noted that a majority of schools in our State are between 15 and 30 years old, and a large percentage older than 30 years.

New York's population has shifted toward fewer school-aged children and an increase of older persons. With shifts in the economic structure of the State, retraining of adults has become critical. The provision in H.R. 1720 to convert unused school facilities into adult training centers responds to this need. New York's geographic location with its harsh winter climate has created a need to "retrofit" facilities for energy efficiency. The provision in the bill to remodel facilities for energy savings is particularly well suited to New York.

TITLE II—RECONSTRUCTION OF POSTSECONDARY INSTITUTIONS AND RENOVATION OF ACADEMIC FACILITIES

The New York State Energy Office has conducted energy conservation technical assistance studies for postsecondary facilities. The studies indicate that $46 million is needed to implement energy conservation improvement projects at individual institutions in New York State. These projects would pay for themselves in about 3.8 years through reduced fuel consumption. In the past three years of energy conservation grants, the Energy Office had to turn away over 400 projects at independent schools and colleges due to lack of grant funds. H.R. 1720 would provide much needed assistance in energy conservation. Such a program would not only provide employment to the unemployed, and immediate and long range assistance to institutions, but also reduce our Nation's dependence on foreign energy sources.

Architectural barriers still exist in many postsecondary institutions. The dollars needed to fund full access for the handicapped at postsecondary institutions have not been available. The State University of New York, for example, asked for $21.5 million for accessibility programs in a recent State budget request; only $3.5 million was allocated. H.R. 1720 would provide assistance to postsecondary institutions to improve access for handicapped individuals.

There are approximately 19 million net assignable square feet of laboratory facilities in our State's postsecondary institutions. H.R. 1720 would provide funding to reconstruct or renovate these facilities to better serve the economic and industrial needs of the Nation and New York State.

TITLE III—PUBLIC LIBRARY FACILITIES

Passage of H.R. 1720 would have an important impact on New York State's libraries. There are 83 needed reconstruction, renovation, repair or alteration projects, totaling $90 million, which could begin with the availability of Federal funds. (See Attachment B for a detailed analysis by library system.) Of these, approximately one-third could be started this year. The $3.7 million that would be available to New York under H.R. 1720 would be a significant step towards improving library facilities throughout the State.

I, therefore, urge the Congress to either enact H.R. 1720 as a companion piece to any jobs creation legislation or include the proposals in H.R. 1720 within the scope of a comprehensive jobs creation bill.

ATTACHMENT A

COST OF CURRENT APPROVED BUILDING PROJECTS IN BIG–5 CITY SCHOOL DISTRICTS [1] BY TYPE OF PROJECT

[July 1, 1982 to February 9, 1983]

Big–5 district	Number of projects in district	Asbestos	Energy	Alteration
New York City	122	$13,366	$448,880	$9,439,065
Buffalo	15	308,000	16,800	1,624,333
Rochester	15		197,057	686,844
Syracuse	15		89,511	682,000
Total	167	321,366	752,248	12,432,242

[1] Yonkers City School District did not have a building project approved during this time period.

COST OF CURRENT APPROVED BUILDING PROJECTS IN SCHOOL DISTRICTS (OTHER THAN BIG–5) BY TYPE OF PROJECT

[July 1, 1982 to February 9, 1983]

Name of district	Number of projects in district	Asbestos	Energy	Alteration
Canandaigua	1			$85,000
Whitesboro	1			1,400,235
Red Creek	1			175,660
East Meadow	7			399,890
Windham-Ashland-Jewett	1		$67,760	15,698,391
Indian River	1			38,000
Elmira Heights	3	$18,561		
Newark Valley	3	56,000		186,400
Albany	7			411,951
North Syracuse	3		112,650	356,480
Salamanca	1			50,000
Rocky Point	1			38,500
Ossining	6		99,500	442,545
Chenango Valley	2			135,000
Hauppauge	5		400,368	188,000
Union-Endicott	1			107,000
Spencer-VanEtten	1			96,000
Jamestown	8			112,426
Harbor Fields	1			19,000
Blind Brook	3			341,133
Wallkill	1			45,000
Williamsville	9			682,510
Herkimer	1			526,000
Cold Spring Harbor	3			163,000
Lakeland	1			40,000
Rush-Henrietta	3		120,000	185,000
Richburg	1			34,005
Burnt Hills	1			37,890
Roslyn	6			741,960
Herricks	3			1,192,200
Chester	1			34,102
Monroe-Woodbury	2		70,000	234,950
Elwood	2			304,965
Skaneateles	1			148,000
BOCES Cattaraugus	1			65,000
General Brown	1			17,000
Berlin	1			45,000
Williamson	1			15,000
Weedsport	2			289,100

COST OF CURRENT APPROVED BUILDING PROJECTS IN SCHOOL DISTRICTS (OTHER THAN BIG-5) BY TYPE OF PROJECT—Continued

[July 1, 1982 to February 9, 1983]

Name of district	Number of projects in district	Asbestos	Energy	Alteration
Minisink	1			35,000
Watkins Glen	1			271,000
Oriskany	1			68,592
Gilbertsville	1			43,000
Greece	2	36,000		72,800
Levittown	3		44,995	108,620
Chatham	4		42,753	67,500
Woodmere	5			98,710
Northport	6		270,000	65,000
Owego	4			231,090
Mineola	3		197,870	80,000
Middletown	1			800,000
Lynville	2			259,610
Katonah	6			449,600
East Meadow	5			375,140
Hancock	3			290,625
Niskayuna	1			24,742
Lewiston-Porter	1			683,700
Westbury	4			245,128
North Bellmore	1			100,000
Schuylerville	2			209,100
Clymer	1			92,500
Sugar Loaf	2			344,000
North Merrick	1			126,115
Canaseraga	1			30,000
Amherst	5		3,960,504	17,049
Island Park	2			1,995,000
Sodus	1	25,181		
Sachem	6			466,350
Cornwall	1			32,100
Avon	2			379,990
Belton	1			22,000
Pine Bush	1			324,510
Pawling	1			158,340
Smithtown	3			290,850
Hyde Park	1			48,000
Newcomb	1			170,000
East Williston	2		74,800	69,300
Niagara-Wheatfield	8		2,642,070	133,712
Armonk	1			342,000
Onondaga	2			156,200
Palmyra	1			74,000
Scalmont	2			57,200
Windsor	2	208,130		82,135
Port Washington	1			96,700
Middle Island	7		432,000	233,800
Wyandanch	2	27,490		66,000
Star Point	1			142,500
Valley Stream	8		73,000	351,000
Wayne-Finger Lakes	2			309,658
New Rochelle	4			1,044,224
Uniondale	3			531,429
Naples	1			327,000
Troy	4		70,000	1,016,506
Ripley	1			26,000
Bethlehem	5			245,505
Pleasantville	1			47,000
Springville	3			364,500

COST OF CURRENT APPROVED BUILDING PROJECTS IN SCHOOL DISTRICTS (OTHER THAN BIG-5) BY TYPE OF PROJECT—Continued

[July 1, 1982 to February 9, 1983]

Name of district	Number of projects in district	Asbestos	Energy	Alteration
Brunswick	1			12,000
Corinth	2			131,100
Glens Falls	4			162,750
Brighton	9		305,200	682,500
East Bloomfield	3			850,000
Elmont	8			2,543,808
Roosevelt	3		46,868	259,148
DeReyter	1			21,469
Sweet Home	7			4,672,492
Holland Patent	6			635,870
Bellmore-Merrick	2			257,305
Hempstead	2			180,000
Syosset	2			100,000
Attica	2		200,000	
Amityville	3		448,776	
Farmingdale	1		29,375	
Tully	1		33,130	
Graham-Middlesex	1		100,000	
East Greenbush	1		135,000	
Half Hollow Hills	4		389,500	
Orchard Park	2		33,000	43,000
New Hyde Park	1		110,426	
Canajoharie	1		247,000	
Greene	3		85,200	
Schroon Lake	1		50,000	
Vestal	1		115,000	
Sidney	1		65,000	
Frankfort	4		4,707,841	80,000
North Babylon	1		70,000	
Yorktown	6		1,322,600	92,400
Sharon Springs	1		23,000	
Maine-Endwell	3			169,300
Portville	2		100,000	15,000
Phoenix	2		200,000	
Huntington	7		389,400	
Weedsport	1			15,000
Prattsburg	1			70,000
Sewanaka	2		390,000	
Sandy Creek	1			54,500
Iroquois	1			11,400
Deer Park	4		217,967	11,400
Lansingburgh	4		58,600	31,620
Guilderland	6		1,192,000	
Morris	1		200,000	
Port Jefferson	2		91,248	
Nishkayuna	1	100,000		
Scarsdale	2		13,000	53,000
Lawrence	1			49,900
East Syracuse	2		734,900	
Newburgh	2		60,000	
Shenendehowa	1			41,400
Malverne	2			113,220
Mahopac	3		13,000	123,000
North Shore	1		54,000	
Alden	3	22,550	66,200	23,976
Bellmore	1			39,998
Croton-Harmon	1			76,000
Windham	1		67,760	

COST OF CURRENT APPROVED BUILDING PROJECTS IN SCHOOL DISTRICTS (OTHER THAN BIG-5) BY TYPE OF PROJECT—Continued

[July 1, 1982 to February 9, 1983]

Name of district	Number of projects in district	Asbestos	Energy	Alteration
East Quogue	1		40,000	
Parishville-Hopkinton	1			72,000
Rochester	4			353,469
Southwestern	2		86,500	16,500
Fort Ann	1		50,000	
Buffalo	1			[2] 2,862,655
Jordan-Elbridge	2		95,650	
Clarkstown	1		75,000	
East Rochester	2		100,000	25,000
Tupper Lake	1		39,950	
Byron-Bergen	2		1,419,200	130,400
Saugerties	1			46,079
Washingtonville	1		22,000	
Spencerport	1			68,240
Webutuck	1		22,000	
Copague	4		110,000	45,000
Union Springs	2		1,900,000	16,165
Dutchess County BOCES	1			110,000
Jamesville-DeWitt	3			82,500
Irvington	1			14,000
Rushton-Moira	1			46,000
Ichabod Crane	2			194,000
Wayne	1			239,658
Bethpage	5		986,300	
Camden	1		75,000	
Grand Island	4		3,235,222	
Silver Creek	1		100,000	
Gates-Chili	4		380,198	
Shoreham-Wading River	2			1,045,500
Schenectady	1		16,000	
Nyack	2			374,450
Monticello	2			406,802
Sherman	4			250,000
Wayland	1		69,000	
Rome	5		117,768	102,880
Lockport	1			148,500
Saratoga Springs	1			22,500
Marcus-Whitman	1		206,600	
Great Neck	1			94,900
Suffolk Number 3	1			40,000
Hicksville	5		44,600	485,835
Hornell	1		313,000	
Angelica	1		16,000	
Brighton	2		292,800	
Port Jarvis	3		22,470	92,615
Chittenango	1			18,000
Franklin Square	2		10,940	43,402
Wayne Center	1	15,000		
Addison	1		166,769	
Westville	2		650,000	
Coxsackie	1		86,000	
Brockport	5		566,760	
Copaigue	3		108,000	
Tonawanda	1			82,500
East Aurora	1			85,000
Islip	4		1,669,510	150,550
Whitney Point	1			17,000
Chatham	2		42,753	

COST OF CURRENT APPROVED BUILDING PROJECTS IN SCHOOL DISTRICTS (OTHER THAN BIG-5) BY TYPE OF PROJECT—Continued

[July 1, 1982 to February 9, 1983]

Name of district	Number of projects in district	Asbestos	Energy	Alteration
Cambridge	1			14,600
Carmel	1			80,000
Oneida	2		156,919	
New Lebanon	1			12,000
Salmon River	1		56,400	
Oswego	3			181,725
Frontier	8		8,198,976	
Elmira	6		1,557,477	54,700
Mamaroneck	3	13,366		193,000
Lackawanna	1			81,750
Pittsford	2		131,536	326,448
Williamsville	1			153,155
Chateguay	1			17,550
Caledonia	3		808,000	
Bedford	1		100,000	
Amsterdam	1		60,000	
Rensselaer	1			15,000
Massapequa	3			69,741
Central Square	1			69,500
Mineola	3		197,870	37,000
Harrisville	2		53,340	23,000
Risque	1			120,000
Mt. Pleasant	1			84,590
Binghamton	1		20,600	
Westmoreland	1		130,400	14,600
North Rockland	9			514,160
Cooperstown	3		834,000	
Mechanicville	1		297,487	
Total	568	522,278	46,833,856	39,703,008

[1] Purchased
[2] New

ATTACHMENT B

STATUS REPORT ON PUBLIC LIBRARY CONSTRUCTION NEEDS AS OF DECEMBER 15, 1982

System and location	Project description					
	Function	Type	Readiness	Square feet		Project costs
				Before	After	
Brooklyn:						
Flatlands	Branch	Remodeling [1]	1983	12,000	12,000	$313,000
Kings Bay	do	do	do	11,500	11,500	241,000
Clarendon	do	New building [1]	1984	N/A	7,500	1,613,000
East Flatbush	do	do	do	N/A	7,500	810,000
Rugby	do	Acquisition/remodel [1]	do	N/A	9,000	554,000
Buffalo & Erie:						
Grand Army Plaza	System Hq/CL	Enlarge/remodel [1]	1985	220,134	232,302	1,277,000
West Seneca	Main library	do	1982/83	4,925	8,425	200,000
Williamsville	do	New building [1]	1984	N/A	20,000	1,358,496
Grand Island	do	New building or enlarge/remodel	1985/86	4,860	10,000	850,000
Chautauqua-Cattaraugus:						
Little Valley	do	New building [1]	1983	N/A	2,400	60,000
Dunkirk	do	Enlarge/remodel [1]	do	9,000	14,000	400,000
Falconer	do	do	do	1,260	2,560	110,000
Fredonia	do	do	do	5,624	11,846	400,000
Olean	Central library	Enlarge/remodel	do	19,990	39,000	?
Finger Lakes: Nichols	Main library	Remodel [1]	?	5,000	5,000	10,000
Four County:						
Hartwick	do	Enlarge/remodel [1]	1984	980	2,000	100,000
Binghamton	Central library	do	?	28,000	48,000	1,420,000
Mid-Hudson:						
Milton	Main library	do	1985	1,728	3,000	80,000
Phoenicia	do	do	?	1,600	2,400	75,000
Poughkeepsie	Central library	do	?	18,000	45,000	3,500,000
Kent	Main library	New building	?	2,400	7,500	500,000
Mid-York: Rome	Central library	Enlarge/remodel [1]	1983/84	24,685	29,545	300,000
Mohawk Valley:						
Schenectady	Duane Branch	do	1983			25,000

do	Duanesburg/Quaker St Branch	do	do	500	2,400	60,000
do	Wingate Branch	do	?	4,098	6,098	30,000
do	Central library	do	?	55,000	55,000	100,000
do	System HQ	do	?	9,200	10,400	100,000
Nassau						
Baldwin	Main library	Enlarge/remodel acquisition [1]	1983	16,000	26,000	1,000,000
Freeport	do	Enlarge/remodel acquisition	do	27,000	54,000	1,700,000
Hicksville	do	Enlarge-remodel	do	26,000	30,000	300,000
Lynbrook	do	New building [1]	do	9,000	16,000	1,500,000
North Bellmore	do	Enlarge/remodel [1]	do	10,000	11,677	100,000
Plainview	do	Enlarge/remodel	do	25,996	32,176	700,000
Rockville Ctr	do	New building	1984	1,400	8,000	700,000
Jericho	do	Enlarge/remodel [1]	do	14,000	19,000	750,000
Glen Cove	do	do	1985	14,500	24,500	1,000,000
North Merrick	do	do	?	17,000	17,000	500,000
Valley Stream	do	do	?	16,000	19,500	500,000
New York						
Manhattan	Bruce Branch	Enlarge/remodel [1]	1984	16,364	16,364	1,500,000
Bronx	Hunts Point Branch	do	do	12,283	12,283	300,000
Manhattan	Counteen Culler Branch	do	1985	28,061	28,061	400,000
Nioga Le Roy	Main library	do	1983	7,975	9,775	95,600
North Country						
Potsdam	do	Remodeling	1985	9,472	9,472	10,000
Ogdensburg	Central library	Enlarge/remodel	?	16,021	16,021	209,000
Onondaga						
Syracuse	System HQ	New building [1]	1984	56,000	150,000	13,000,000
Liverpool	Main library	Enlarge/remodel [1]	do	11,000	18,500	507,000
East Syracuse	do	do	1985	5,550	7,050	40,000
Pioneer						
Geneva	do	Enlarge/remodel	1983	7,293	13,000	500,000
Penfield	do	New building [1]	do	6,925	15,000	1,000,000
Warsaw	do	New building	1984	?	?	?
Arcade	do	Enlarge/remodel [1]	1985	898	3,478	300,000
Irondequoit	Branch library	do	1987	5,500	15,000	?
Brockport	Main library	Acquisition/remodel	?	1,650	6,000	300,000
Rochester	System HQ/CL	New building [1]	?	125,000	300,000	30,000,000
do	Branch library	Acquisition/remodel	?	5,2000	5,200	1,000,000
do	do	do	?	?	?	300,000

ATTACHMENT B—Continued

System and location	Project description: Function	Type	Readiness	Square feet: Before	Square feet: After	Project costs
Queens						
Glendale	Branch	Remodeling[1]	1982	10,800	10,800	150,000
North Hills	do	New building	1983	N/A	7,500	1,000,000
Richmond Hill	do	Remodeling[1]	do	13,000	13,000	150,000
Queens Village	do	do	do	12,300	12,300	150,000
Forest Hills	do	do	1984	15,900	15,900	150,000
Woodside	do	do	do	10,700	10,700	150,000
Woodhaven	do	do	do	9,100	9,100	150,000
College Point	do	do	do	7,650	7,650	150,000
Little Neck	do	do	do	5,000	5,000	150,000
Ramapo Catskill						
Haverstraw	Main library	Enlarge/remodel[1]	1983	4,500	4,500	60,000
Monroe	do	do	do	3,000	5,950	147,000
Spring Valley	do	Enlarge/remodel	1984	16,200	36,200	?
Valley Cottage	do	do	do	8,500	10,000	85,000
Cornwall	do	New building	1986	3,687	14,000	1,500,000
South Adirondack						
Burnt Hills	do	Parking lot	1983/84			7,700
Mechanicville	do	New building	1984	2,100	6,000	400,000
Half Moon	do	Enlarge/remodel[1]	1985	4,400	25,000	1,792,000
Glens Falls	Central library	Enlarge/remodel	1987	28,625	34,913	?
Southern Tier						
Prattsburg	Main library	Enlarge/remodel[1]	1982	476	1,956	50,000
Watkins Glen	do	New building[1]	1984	1,594	7,500	500,000
Suffolk						
Ctr Moriches	Main Library	New building[1]	1983	N/A	12,000	1,200,000
Bohemia	do	Enlarge/remodel	do	16,720	19,720	300,000
Southhold	do	Enlarge/remodel[1]	do	3,060	6,500	650,000
Middle Island	do	New building/or enlarge/remodel[1]	1984	9,000	?	2,500,000 or 180,000
Greenport	do	Enlarge/remodel[1]	1985	2,935		?
Montauk	do	New building[1]	do	744	10,000	1,000,000

Dix Hills	do	Enlarge/remodel	?	?	?	?
Wyandanch	do	New building	?	1,960	10,000	1,000,000
East Islip	do	Enlarge/remodel[1]	?	18,630	35,450	1,600,000
Deer Park	do	do	?	11,800	23,600	?
Upper Hudson:						
Menands	do	Acquisition/remodel[1]	1983	2,370	3,575	60,000
Guilderland	do	New building[1]	?	3,000	12,000	?
Voorheesville	do	Enlarge/remodel[1]	?	1,500	3,000	?
Westchester:						
Larchmont	do	Enlarge/remodel[1]	1983	6,000	6,700	10,000
Armonk	do	do	do	9,300	16,300	630,000
Harrison	do	do	1983–84	9,240	15,860	1,000,000
Ardsley	do	Acquisition/remodel[1]	?	?	4,500	540,000
Grand total						89,929,796
Number of projects						83

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[1] Includes energy cost reduction and/or improved access for handicapped.

National Youth Employment Coalition,
New York, N.Y., March 25, 1983.

Hon. Augustus F. Hawkins,
House of Representatives, Rayburn House Office Building, Washington, D.C.

Dear Congressman Hawkins: Enclosed is the National Youth Employment Coalition's statement on Job Creation to be submitted for the record.

Your consistent support and concern for severely-disadvantaged youth and adults is appreciated by the Coalition, our member agencies, and most importantly to the youth we collectively serve.

We look forward to your Subcommittee's developments; if we can be of any service to the Subcommittee, please feel free to call.

Sincerely,

Mary Elise DeGonia.

Enclosure.

Testimony of National Youth Employment Coalition

We are honored to provide testimony to the Employment Opportunities Subcommittee on behalf of the National Youth Employment Coalition. The National Youth Employment Coalition was born four years ago out of concern for improving and expanding education and employment opportunities for youth. The Coalition member agencies represent a broad spectrum of service providers, including: National Child Labor Committee, United Neighborhood Centers, O.I.C.s of America, Girls Clubs of America, National Council on LaRaza, Camp Fire, 70001 Ltd., and the National Youth Work Alliance. Our member organizations serve hundreds of thousands of young people annually nationwise.

The House Subcommittee is exploring the potential federal response for jobs creation during the current recession. Congressman Hawkins, Congressman Kildee, and Congressman Simon, as well as many others outside this Subcommittee, have introduced bills to provide jobs and other emergency relief. The National Youth Employment Coalition is not responding to any specific bill. We do believe, however, that if the Congress decides to provide emergency jobs assistance, there are several basic principles that ought to be taken into consideration with regard to youth. The following are the National Youth Employment Coalition's recommendations we would like you to consider in the development of any jobs bill offered.

TARGETING

The National Youth Employment Coalition believes that in times of fiscal restraint, federal dollars expended for job creation should not only go to persons most in need, but also should be targeted to the geographic areas of greatest need.

Furthermore, specific targeting for youth is strongly urged based on their disproportionate representation in the numbers of unemployed. The following are the January 1983 unemployment rates seasonably adjusted according to the Bureau of Labor Statistics:

	January 1983
All persons	10.4
All youth 16-19	22.7
White youth 16-19	20.0
Black youth 16-19	45.7

We would also limit participation to youth who are defined as economically disadvantaged in the Job Training Partnership Act, with some refinements. The jobs bill must also provide for equity of service to minorities and women.

SERVICE DELIVERY

Any youth jobs provision under consideration by this committee should be linked with the delivery system established by the Job Training Partnership Act.

The Job Training Partnership Act provides the structural framework in which youth jobs can be delivered. The intent of Congress for real and not make-work experiences must remain a priority if we are to make significant changes in the long-term employability of the disadvantaged. It is clearly the responsibility of the private industry council to insure that this intent is carried out. The NYEC suggests that the established structure of JTPA provide the best vehicle for comprehensive delivery of a federal jobs policy for youth.

As stipulated in the Job Training Partnership Act, training is an integral element to ensuring stability and mobility in the labor market. Short-term government-sponsored jobs cannot stand alone as a recourse to solving our country's unemployment dilemma. This is especially true for youth who often lack minimal labor market experiences, basic skills, and employment competencies.

The National Youth Employment Coalition believes that any jobs provisions for youth should be accompanied by education and training opportunities. The educational or training program should be focused on the basic educational and employability skills necessary for long-term employment and economic self sufficiency.

The alternatives for providing necessary training to unemployed youth are already in place. Thousands of young people, many disadvantaged and school dropouts, will not return to traditional school systems for education or training. Many potential jobs recipients under any bill could receive education and training in public or non-profit alternative schools, as well as through community-based organizations' training facilities. Access to necessary training and remediation for those most in need can best be met through support to both public schools and community-based organizations. Any jobs bill should clearly state that alternative delivery systems for education and training of unemployed youth are acceptable and encouraged.

ROLE OF COMMUNITY-BASED ORGANIZATIONS

Community-based organizations historically developed from an inability of traditional institutions to provide needed services to their local communities. Community-based, voluntary, and grassroots neighborhood programs have demonstrated effectiveness in delivering employment services to a population often not reached by traditional community institutions.

Over the past years, millions of dollars have been expended to support the development and strengthening of community-based organizations. Furthermore, federal funds have been spent under the Youth Employment Demonstration Projects Act identifying effective strategies of community-based employment and training services to disadvantaged youth. It is important that we utilize these strategies and not negate the value these programs played in establishing alternative training systems for youth. We urge you to maintain a significant role for CBO's in both the administration, planning, and service delivery of employment opportunities under consideration here today. Furthermore, any youth jobs provision should state that special consideration shall be given to community-based organizations of demonstrated effectiveness.

TARGETED JOBS TAX CREDIT

The National Youth Employment Coalition would like to bring to the Committee's attention a major resource for accessing private sector jobs for youth this summer. Through a major new provision in the Targeted Jobs Tax Credit, employers who hire economically-disadvantaged youth aged 16–17 who work up to 90 days between May 1 and September 15 earn a tax credit of up to 85 percent of the first $3,000 in wages paid. This provision of TJTC could open up many job opportunities for youth this summer. Unfortunately, the system and linkages among the agencies who are critical to the success of this provision have yet to be worked out.

The State Employment Service is responsible for vouchering and certification of eligible youth. However, generally the Employment Service has limited experience with this age group and is overburdened with other responsibilities. This lack of experience may preclude the critical outreach and recruitment of young people needed to maximize use of the TJTC incentive to employers.

NYEC suggests that Employment Service be encouraged and supported to allow outside agencies to conduct the vouchering of potential TJTC participants. This is a most time-consuming process easily handled by agencies who provide other services to young people.

The Job Training Partnership Act goes a long way toward requiring institutional linkages between the Employment Service and the Job Training Partnership Act which could assist locals in maximizing TJTC as a private sector placement tool in the future.

CONCLUSION

On behalf of the National Youth Employment Coalition and the young people we serve, we thank you for this opportunity to provide you with our support and concerns as you design this critical legislation. Our young people are a vital resource who offer us all the potential to better develop and adjust to a changing world; we owe them the opportunity they need to thrive in this endeavor.

Thank you, and the Coalition offers any further support and cooperation you may need.

HEARINGS ON JOB CREATION PROPOSALS

THURSDAY, MARCH 3, 1983

House of Representatives,
Subcommittee on Employment Opportunities,
Committee on Education and Labor,
Washington, D.C.

The subcommittee met, pursuant to call, at 9:30 a.m. in room 2257, Rayburn House Office Building, Hon. Augustus F. Hawkins (chairman of the subcommittee) presiding.

Members present: Representatives Hawkins, Martinez, Williams, Kogovsek, Jeffords, Gunderson, Petri, and Bartlett.

Staff present: Susan Grayson McGuire, staff director; Carole Schanzer, deputy staff director; Terri Schroeder, administrative assistant; and Beth Buehlmann, minority counsel.

Mr. **Hawkins**. The Subcommittee on Employment Opportunities of the Education and Labor Committee is called to order.

The hearing this morning is one in a series of hearings in Washington, D.C., on the subject of job creation proposals before the Subcommittee on Employment Opportunities. These hearings on specific legislative proposals complement the extensive hearings conducted by the full Committee on Education and Labor on the underlying causes of unemployment.

To place the subcommittee's hearings in the appropriate context, it is important to note that, in the face of historic levels of unemployment, unprecedented since the Great Depression, we do not have in place at this time a program to provide jobs for the growing number of desperate Americans actively seeking but are unable to find work.

The 1981 Budget Reconciliation Act repealed the authority for creating jobs under title VI of the Comprehensive Employment and Training Act. Other job creating initiatives and other programs suffered a similar fate. Last year, the Committee on Education and Labor reported the Community Renewal Employment Act to put long-term unemployed individuals to work in productive community jobs. Unfortunately, in the face of the administration's opposition, the House did not act on that bill. This year we are starting anew, in an even more critical climate, to put in place a program to put unemployed individuals back to work.

The bills under consideration by the subcommittee are designed to permit rapid implementation, target resources to individuals and areas most in need and assure that jobs are created in productive activities which will bring lasting benefits to the community.

As critical as this job creation effort is, it must be viewed within the context of a comprehensive employment strategy, including monetary policies to reduce interest rates, Federal spending targeted on priority activities to achieve sustained growth and stimulate employment, and modification for the tax structure to encourage productive and stimulative investment and employment as well as to meet our revenue needs. A targeted job-creation program is an integral part of a coordinated, comprehensive employment policy.

Much has been made in the press and in the administration's public statements about "make-work" jobs. Let me state emphatically at the outset that we are not proposing, nor does the country need, make-work jobs to put people back to work. In literally every community around the Nation, there are critical unmet needs—ranging from the repair and rehabilitation of public facilities and conservation and improvement of public lands, to vital health and safety services. We are seeking to put unemployed Americans to work meeting these needs. This morning's hearing will focus on those needed activities and services for unemployed individuals who want productive work.

The Chair at this time will deviate long enough to indicate that, in the Chair's opinion, it is most unfortunate that this afternoon we will be voting on the emergency supplemental appropriations for fiscal year 1983 that has been greatly exaggerated and publicized as a jobs bill. I think that is a disservice to the Nation. It certainly is a disservice and a mockery to the millions of unemployed persons that we are acting on a bill that has no job creation aspect to it but merely spends moneys that will obviously be spent anyway next year. These emergency spending programs will merely replace those items which were cut from the budget last year. These programs will produce maybe in the neighborhood of 150,000, or possibly 200,000 jobs, at most. To call this a jobs bill, I think, is certainly a new low in integrity among those who are proposing to so label such a bill as that which we are forced into the position, unfortunately, of having to support at this time.

I merely say that because of the liberty with which individuals have taken in calling this a jobs bill and in referring to future phases that may never take place.

This morning we are very pleased to have as our first witness a distinguished Member of the Congress. I take pride in introducing her because she is also a member of the Committee on House Administration, on which she has served with great distinction and loyalty. It is a pleasure and a privilege to introduce as our first witness the Honorable Lynn Martin, a Member of Congress from Illinois.

Mrs. Martin, may I just simply ask you to refrain for just 1 minute to see if Mr. Jeffords would like to make a statement at this time.

Mr. **Jeffords**. Thank you very much, Mr. Chairman.

I just want to echo what you have said. It seems to me that we are going at this whole process backwards this year. There is a great enthusiasm for doing something about the unemployed, and we should. But what we have done is to create an appropriations bill which is labeled a jobs bill which, historically, if we look at what it will accomplish, we would be quite dismayed at what the results will probably be.

It revolves almost primarily around public works projects and, in some cases, some additional programs we all like but all of which have very little to do with creating jobs. There is a great affection for many who look back at the depression days and say, "Oh, my gosh, what wonderful things we did with the public works projects." But there are not many similarities beyond that. The jobs that were created during the Great Depression in public works were many, and millions of people were put to work. But times have changed. Back in the 1930's, things were done with shovels and wheelbarrows; they are now done with bulldozers and trucks.

Studies of the results from the last local public works bill that was put through this House some years ago in the guise of an employment bill indicate that the cost per slot was some $67,000 per slot. Another analysis demonstrated that of the people who were put to work, 87 percent of them were not unemployed, only 13 percent were unemployed. That would mean if you wanted to talk about the cost per slot for people who were unemployed, it would be an unbelievably high figure.

In 1982 dollars, the cost per slot back during the Depression was some $5,000 per slot, which meant we could for that kind of money put a lot of people to work. This is not the situation now.

Another problem with construction-type jobs is that they are not targeted in this bill to areas that have high unemployment. In addition, they will be jobs only in an industry which is about 6 percent of our economy. There are few or no jobs for women or youth in this bill outside of the money which fortunately was put in to expand the summer youth employment program.

Overall, for all of the money we are spending, we are going to do very, very little for the unemployed in this country, and yet the hoopla that will go along with it will mislead people into thinking that the Congress, at this time not only of high unemployment but of fiscal problems, has dug ourselves into a deep hole, for the limited resource we have will be squandered on helping very, very few unemployed people.

Mr. HAWKINS. Thank you, Mr. Jeffords.

Again, Mrs. Martin, you may proceed.

STATEMENT OF HON. LYNN MARTIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mrs. MARTIN. Thank you, Mr. Chairman. It is a pleasure to be with you this morning.

We are again in agreement about your comments about this afternoon's jobs bill. We have bipartisan, I think, disagreement with the bill.

One of the things I learned under your distinguished chairmanship was that Members of Congress who came and read their entire statements found a day-dreaming committee about halfway through. So, with the recognition that his will be part of the record, I would prefer to just comment on a few areas of the bill that I think may be of interest to you.

Mr HAWKINS. Without objection, the entire statement will be entered into the record.

Mrs. **Martin**. There are some additional parts that I hope would also be entered into the record, some statistical data that I think may be of interest to you, Mr. Chairman.

Mr. **Hawkins**. Such data will be included with your statement.

Mrs. **Martin**. Thank you very much, Mr. Chairman.

First of all, with the expertise of this committee, I am sure there will be a bill. I think there are those of us who come from areas where the agony of unemployment has been so destructive, not just on an economic life, but truly on the emotional and psychological lives of entire areas. We really don't care whose name is on the bill or indeed from what party it comes, as long as it does that which helps the most people in the best way over the longest term.

I would ask you, not because I think you are going to pass out my bill, to look at a couple of things in it that may be of interest to you. We have given it an acronym—how could I resist—and it comes out JOBS. That you may use. First of all, it is rather attractive just on its face.

Mr. **Hawkins**. It was accidental.

Mrs. **Martin**. Yes. [Laughter.]

It uses a different statistical data base. Instead of using unemployment, it actually uses income growth. This is something that has not been done in many cases. But it turns out that the statistical data for unemployment is very raw in four-fifths of the States. It is not collected on a timely basis in four-fifths of the States. If you are looking at long-term unemployed, if you are looking at what we have all gotten very tired of hearing, structural unemployment, that data base gives you a much greater view faster and more accurately of where that high structural unemployment is. So whatever the bill, although it is most convenient and most easy perhaps for the public to recognize, I would hope you would consider a different data base. That accuracy in targeting programs as quickly as possible, I think, could make a difference in State after State, in area after area.

The second thing that the bill does well is it recognizes that not all wisdom is here on the banks of the Potomac, that indeed there is wisdom across the Nation. The bill divides the money available first to States on the basis of population and second on the basis of income growth, but then says that half of those dollars have to go to areas within that State of high unemployment—to counties. That is the base we use rather than cities, rather than townships.

The reason for that is something that I think every Member of Congress can understand. My major city Rockford, Ill. has huge unemployment. But in the County of Winnebago in which Rockford sits, if you divided the figures and just went for the city, you would be missing some of the highest pockets of unemployment. Indeed, if we use the State as the conduit and we force the State into dividing that money among high counties, you are not getting into the city versus suburbs argument, and you are actually trying to get to where the people are unemployed and hurting the most.

We allow States enormous flexibility. In that sense, Mr. Chairman, your own bill allows flexibility. But ours is not just for jobs, whether they be public service or not. That argument on make-work jobs is going to be demagogued on and on. For my area, for instance, if Illinois were to get its share of the money under this bill and my home county would, obviously, qualify under this bill, I suspect the judgment would be to use it for retraining. But another of my counties might well want an industrial park. Another of my counties might wish to use it in another way.

We are suggesting that local people at the State and local level know best, and one single program defined from the banks of the Potomac does not fit the banks of the Rock, does not fit the banks of the Platte, does not fit the banks of the Suwannee. Those areas can best determine how to use it.

In all, we use a $3 billion, 2-year annual allocation. It is highly targeted, using a different data base. Although there is some money for all States, those States with the highest unemployment generally get the most money and, I might add, after that, those hard-hit counties within the States are guaranteed at least half the money.

I think those are some of the things any bill with which your committee develops should have, that kind of flexibility—not necessarily the determination they be public service jobs or not, and that kind of effective targeting to most quickly get the kind of government/public/private cooperation for the structural unemployment.

With that, I will end my testimony, again learning from my chairman. I would be happy to answer any questions.

I should add, too, that we do set aside a percentage in the bill, for instance, for Puerto Rico, because of their deep structural unemployment problems. So we recognize their problems even though Puerto Rico and others like it do not fit into the legal definition of a State.

[The prepared statement of Congresswoman Lynn Martin follows:]

PREPARED STATEMENT OF HON. LYNN MARTIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

SUMMARY OF TESTIMONY

I. Structural unemployment.

   A. As it relates to the State of Illinois
   B. As it relates to Northern Illinois

II. Pending Congressional proposals.

III. The "Job Opportunity and Business Stimulation Act", H.R. 116.

   A. Purpose
   B. Funding allocation
   C. Program operation
   D. Discussion of its major components
   E. Its "pluses"

IV. What a medium to long-term employment initiative should include.

MR. CHAIRMAN AND COMMITTEE MEMBERS, I AM PLEASED TO DISCUSS WITH YOU TODAY THE ISSUE OF EMPLOYMENT OPPORTUNITIES AND THE ROLE THE FEDERAL GOVERNMENT SHOULD PLAY IN THIS EFFORT. I AM EXTREMELY CONCERNED ABOUT THE CRIPPLING EFFECTS OF ECONOMIC STAGNATION ON BOTH THE HEALTH OF THE NATION AND OUR POSITION IN THE INTERNATIONAL MARKETPLACE.

AS WE KNOW, UNEMPLOYMENT CAN BE SEPARATED INTO THREE TYPES -- FRICTIONAL, CYCLICAL AND STRUCTURAL. IT IS THE LATTER, HOWEVER, WHICH MOST CONCERNS ME.

I REPRESENT AN AREA THAT I SUSPECT IS ALL TOO TYPICAL OF AREAS FACING STRUCTURAL UNEMPLOYMENT. THE LARGEST SINGLE SECTOR OF THE ECONOMY IN THE ROCKFORD, ILLINOIS STANDARD METROPOLITAN STATISTICAL AREA (SMSA) IS MANUFACTURING; 625 LOCAL MANUFACTURING FIRMS ACCOUNT FOR ABOUT 42 PERCENT OF THIS AREA'S NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT. THESE FIRMS ARE LARGELY DEPENDENT ON HOME STARTS, AUTOMOBILE SALES AND MACHINE TOOL ORDERS. THE HARSH AND UNFORTUNATE REALITY OF MY DISTRICT'S ECONOMIC MAKEUP, HOWEVER, IS THAT EVEN AFTER OUR NATION HAS PULLED ITSELF OUT OF THIS HARD-HITTING RECESSION, HUNDREDS OF WORKERS STILL WILL NOT BE ABLE TO SECURE EMPLOYMENT. THESE IDLE WORKERS, LIKE THOUSANDS NATIONWIDE, ARE VICTIMS OF STRUCTURAL UNEMPLOYMENT.

ALTHOUGH WE CAN DEBATE THE IMPACT AND EFFECTS ON EMPLOYMENT FROM FOREIGN COMPETITION, TECHNOLOGICAL ADVANCES, PAST INCREASES IN ENERGY PRICES AND CONSUMER DEMOGRAPHIC TRENDS, THE RESULT IS STILL A NET LOSS OF JOBS. NOT SURPRISINGLY, THAT LOSS SEEMS TO BE CONCENTRATED IN THE INDUSTRIAL NORTHEAST AND MIDWEST. NOT ONLY HAVE THESE WORKERS BEEN LAID OFF FROM A JOB WHERE REEMPLOYMENT IN THE SAME OCCUPATION OR INDUSTRY IS DIM, BUT THE STATES IN WHICH THEY RESIDE ARE EXPERIENCING THE SAME SIGNIFICANT ECONOMIC PROBLEMS, MAKING THEIR CHANCES OF REEMPLOYMENT IN ANY FIELD THAT MUCH HARDER. ADDITIONALLY, THESE ECONOMICALLY DISTRESSED STATES CAN OFFER THESE DISLOCATED WORKERS LITTLE ASSISTANCE IN ATTRACTING NEW BUSINESS AND ITS ACCOMPANYING EMPLOYMENT OPPORTUNITIES.

THE EMPLOYMENT PICTURE IN NORTHERN ILLINOIS, LIKE OTHER HARD-HIT REGIONS, LOOKS BLEAK WITH CONTINUED LAYOFFS TAKING PLACE AND ONLY SMALL REPLACEMENT NEEDS ANTICIPATED OVER THE COMING YEAR. IT IS ESTIMATED THAT 35 TO 40 PERCENT OF THE UNEMPLOYED IN THE ROCKFORD SMSA DURING FISCAL YEAR 1983 WILL BE UNEMPLOYED OVER 15 WEEKS. THESE PEOPLE ARE THE LONG-TERM UNEMPLOYED.

ON A LARGER SCALE, ILLINOIS' LONG-TERM UNEMPLOYMENT RATE IN 1981 (MOST RECENT FIGURES AVAILABLE) WAS 35 PERCENT. EVEN THOUGH ARKANSAS HAD A SIMILAR UNEMPLOYMENT RATE, ITS LONG-TERM UNEMPLOYMENT RATE WAS ONLY 18 PERCENT. AS EVIDENCED BY THESE FIGURES, UNEMPLOYMENT RATES DO NOT

NECESSARILY REFLECT THE TRUE NATURE AND SEVERITY OF UNEMPLOYMENT WITHIN A STATE. THE END RESULT OF THIS ECONOMIC DECLINE, OF COURSE, IS MANY OF THESE LONG-TERM UNEMPLOYED WILL DEPLETE THEIR SAVINGS AND TURN TO GOVERNMENT ASSISTANCE. LESS MEASURABLE, BUT JUST AS SIGNIFICANT, IS THE EMOTIONAL EFFECTS OF LONG-TERM, AND IN MANY CASES PERMANENT, JOB LOSS.

I AM PLEASED THAT ACTION HAS BEEN TAKEN BY THE ADMINISTRATION AND LEADERSHIP IN TRYING TO DEVELOP A VIABLE COMPROMISE ON IMMEDIATE JOB CREATION AND HUMANITARIAN AID. BUT THEIR "SO-CALLED" JOBS BILL WILL HELP ONLY THE CYCLICALLY UNEMPLOYED (THOSE UNEMPLOYED BECAUSE OF ECONOMIC DOWNTURN). I ALSO AM OPTIMISTIC ABOUT THE PRESIDENT'S PROPOSALS TO ENCOURAGE RETRAINING AND HIRING OF THE LONG-TERM UNEMPLOYED. BUT, I FEAR THESE PROPOSALS SIMPLY DO NOT GO FAR ENOUGH.

IN LIGHT OF THIS, I HAVE DEVELOPED AN EMPLOYMENT AND BUSINESS INITIATIVE, H.R. 116, WHICH APPROACHES THE LONG-TERM UNEMPLOYMENT PROBLEM FROM A SLIGHTLY DIFFERENT TACK. MY LEGISLATION, THE "JOB OPPORTUNITY AND BUSINESS STIMULATION ACT" (JOBS), EMBRACES THE NOTION THAT EMPLOYMENT AND BUSINESS NEEDS DIFFER NOT ONLY FROM STATE TO STATE BUT ALSO FROM AREA TO AREA WITHIN A STATE. IF WE ARE TO EXPEND LIMITED FEDERAL DOLLARS TO SPUR ECONOMIC ACTIVITY, IT IS INCUMBENT UPON US TO MAKE SURE THE PROGRAM WILL NOT SIDETRACK

RECOVERY AND WILL NOT BE TOO LIMITING SO TO PRECLUDE MAXIMUM ECONOMIC RESULTS.

IN SHORT, "JOBS" MAKES AVAILABLE GRANTS TO ALL STATES BASED UPON POPULATION, SINCE EVERY STATE HAS EXPERIENCED THE EFFECTS OF THIS PROLONGED RECESSION. BUT FOR STATES EXPERIENCING STRUCTURAL UNEMPLOYMENT AS IT RELATES TO INCOME GROWTH, THIS LEGISLATION WOULD PROVIDE ADDITIONAL STIMULUS. FURTHERMORE, HALF OF THE FUNDING A STATE RECEIVES MUST BE CHANNELED TO HARD-HIT REGIONS WITHIN A STATE, AS DEFINED BY UNEMPLOYMENT DATA. (SEE APPENDICES "A" AND "B")

MY EMPLOYMENT INITIATIVE COULD BE DESCRIBED, IN EFFECT, AS A QUASI-GENERAL REVENUE SHARING PROGRAM . . . OR EVEN CDBG, UDAG, OR EDA. IT IS SIMILAR TO THESE PROGRAMS IN THAT IT IS AN ECONOMIC ASSISTANCE PROGRAM. BUT, IT DIFFERS IN THAT IT IS MORE FLEXIBLE IN ALLOWING STATES TO BEST MEET THEIR NEEDS FOR JOB CREATION AND BUSINESS STIMULATION THROUGHOUT THE STATE AS WELL AS IN HARD-HIT AREAS.

WITH REGARD TO THE SPECIFICS OF THE BILL, I WOULD LIKE TO DISCUSS SOME OF ITS COMPONENTS. IN PARTICULAR, WHY WAGE AND SALARY DATA IS USED AND WHY FUNDS ARE MADE AVAILABLE TO THE STATE RATHER THAN A LEVEL OF LOCAL GOVERNMENT.

FIRST: WAGE AND SALARY DATA OVER TIME IS A BETTER INDICATOR OF STRUCTURAL UNEMPLOYMENT THAN UNEMPLOYMENT RATES. IT MORE ACCURATELY MEASURES ECONOMIC DECLINE BECAUSE IT REFLECTS THE INCOME GROWTH LEVEL OF A STATE. IT CAN BE ARGUED THAT A STATE EXPERIENCING A LOW GROWTH RATE IS ALSO EXPERIENCING CONTINUED LEVELS OF JOBLESSNESS AND ECONOMIC DECLINE.

ALSO, WAGE AND SALARY DATA IS MORE RELIABLE SINCE INITIAL STATE ESTIMATES ARE REVISED ON THE BASIS OF ANNUAL DATA COLLECTED FROM STATE UNEMPLOYMENT INSURANCE OFFICES. THESE REESTIMATES ARE THEN REVISED EVERY SIX MONTHS FOR AT LEAST FIVE REVIEWS. STATE UNEMPLOYMENT RATES, ON THE OTHER HAND, ARE DETERMINED ON A RELATIVELY RUDIMENTARY METHC. FOR FOUR-FIFTHS OF THE STATES. FOR THE TEN MOST POPULOUS STATES, ESTIMATES ARE TAKEN DIRECTLY FROM THE MONTHLY CURRENT POPULATION SURVEY (CPS). FOR THE REMAINING 40 STATES, HOWEVER, ESTIMATES ARE MADE COMBINING THE "HANDBOOK" METHOD (WHICH INFLATES THE NUMBER OF UNEMPLOYMENT INSURANCE CLAIMANTS INTO AN ESTIMATE OF TOTAL UNEMPLOYMENT) AND THE CPS TOTALS. THE UNEMPLOYMENT RATE, PARTICULARLY FOR FOUR-FIFTHS OF THE STATES, MAY CONTAIN BOTH BIAS AND SAMPLING ERROR.

SECOND: STATES WERE MADE THE PRINCIPAL RECIPIENTS OF THE FUNDS BECAUSE OF THE EXPERTISE AND RESOURCES AVAILABLE TO THEM. THE GOVERNOR WOULD BE MANDATED TO WORK WITH THE

STATE JOB TRAINING COORDINATING COUNCIL, AS ESTABLISHED BY THE "JOB TRAINING PARTNERSHIP ACT". TOGETHER WITH LOCAL OFFICIALS, THEY WOULD DEVELOP AND DETERMINE HOW BEST TO USE THESE FUNDS TO STIMULATE BUSINESS AND EMPLOYMENT THROUGHOUT THE STATE. THE STATES, AS I PREVIOUSLY MENTIONED, WOULD BE REQUIRED TO CHANNEL HALF THEIR ALLOCATION TO HIGH UNEMPLOYMENT COUNTIES. AS TO WHY COUNTIES WERE CHOSEN FOR THE SUB-STATE REGION ALLOCATION, I WOULD ARGUE THAT UNEMPLOYMENT RATES FOR THE COUNTY LEVEL TYPICALLY ARE MORE ACCURATE THAN FOR CITIES AND TOWNSHIPS, EXCLUDING SMSAs. IN ADDITION, THE GENERAL REVENUE SHARING COUNTY-WIDE ALLOCATION IS FACTORED INTO THE COUNTY EXPENDITURE FORMULA TO BALANCE FOR DIFFERENCES IN POPULATION, RELATIVE INCOME AND TAX EFFORT.

ASIDE FROM THE ACTUAL WORKINGS OF MY LEGISLATION, I WOULD LIKE TO DRAW ATTENTION TO SOME OF ITS "PLUSES". IT IS FLEXIBLE YET NOT TOO LOOSELY DRAWN. THERE ARE SOME RESTRICTIONS ON USE OF FUNDS (E.G. DISALLOWS FISCAL SUBSTITUTION, DISALLOWS USE FOR "SOFT SERVICES") BUT GENERALLY SPEAKING FEW LIMITATIONS ARE PLACED ON POSSIBLE USES. FOR INSTANCE, IN MY AREA THIS MONEY WOULD BE HELPFUL TO STRENGTHEN OUR RETRAINING EFFORT. BUT THAT IS NOT TO SAY THAT IN ANOTHER AREA THESE FUNDS MAY BEST BE USED FOR AN INDUSTRIAL PARK OR OFFERING LOW INTEREST LOANS OR UPGRADING A SEWAGE SYSTEM OR CAPITAL IMPROVEMENT. ITS OBJECTIVE IS

LONG-TERM PERMANENT EMPLOYMENT OPPORTUNITIES, REAL JOB CREATION AND REAL JOB RETENTION. MOREOVER, IN THESE DAYS OF GREATER STATE RESPONSIBILITY, MY APPROACH GIVES TO STATES THE WHEREWITHAL TO COPE WITH THE EMPLOYMENT PROBLEMS AND DEMANDS OF THE COMING DECADES.

MR. CHAIRMAN, LIKE YOU, I HAVE CERTAIN IDEAS WHICH I BELIEVE SHOULD BE INCORPORATED INTO ANY MEDIUM TO LONG-TERM JOB EFFORT. PRIMARILY, EFFORTS TO HELP AREAS EXPERIENCING STRUCTURAL UNEMPLOYMENT MUST BE INCLUDED IN ANY PACKAGE. IT IS MY HOPE THE COMMITTEE WILL LOOK FAVORABLY UPON THE APPROACH AND PRINCIPLES MY LEGISLATION EMBRACES.

MY IDLE WORKERS IN NORTHERN ILLINOIS DO NOT WANT JOBS THAT WILL NOT EXIST BEYOND A YEAR; THEY WOULD RATHER HAVE THE OPPORTUNITY TO REGAIN THEIR FOOTING IN THE EMPLOYMENT WORLD. MY BUSINESSES IN NORTHERN ILLINOIS DO NOT WANT POLITICALLY EXPEDIENT GOVERNMENT ACTION THAT, IN THE LONG RUN, WILL HURT THEM MORE. THEY WOULD RATHER HAVE THE OPPORTUNITY TO REGAIN THEIR POSITION IN THE MARKETPLACE. YES, RECOVERY IS THE BEST ANSWER BUT IN LIGHT OF THE FACT THAT SOME INDUSTRIES HAD NOT RECOVERED FROM THE PREVIOUS RECESSION AND ARE STRUGGLING WITH THE EFFECTS OF THE CURRENT ONE, I BELIEVE ACTION MAY BE WARRANTED TO ENCOURAGE NEW OPPORTUNITIES.

I THANK THE COMMITTEE FOR ITS TIME AND GRACIOUSNESS IN PERMITTING ME THE PRIVILEGE OF TESTIFYING. TOGETHER, LET US PUT ASIDE PARTISAN DIFFERENCES AND HELP PUT OUR PEOPLE BACK TO WORK -- WORK THAT IS MEANINGFUL.

- APPENDIX A -

"THE JOB OPPORTUNITY AND BUSINESS STIMULATION ACT"
(H.R. 116)

PURPOSE

To establish a program to provide grants to states for the purpose of creating job opportunities and stimulating business.

FUNDING ALLOCATION

This employment initiative authorizes $3 billion for each of two years.

(1) One-third of grant funds are allocated among ALL states on the basis of population.
(2) Two-thirds of grant funds are allocated among ELIGIBLE states. Eligible states are those states which have experienced wage and salary growth below the U.S. average.
(3) One-half of a state's total allocation (sum of "1" and "2") must be channeled into ELIGIBLE county areas. Eligible county areas are those counties whose average unemployment rate for the most recent twelve months is equal to or greater than the state's average unemployment rate for the same time period, and whose county per capita income is below 140 percent of the state's per capita income.

PROGRAM OPERATION

Grants are made available to the Governor for uses that he determines will contribute most to the creation of meaningful jobs for the unemployed. Toward that goal, he shall consult with the State Job Training Coordinating Council as established in the "Job Training Partnership Act." This council is comprised of representatives from labor, business, and state and local government.

The Governor then will determine which projects will be undertaken. Funding earmarked for eligible counties will be expended within each area at not less than 95% of the eligible amount available for expenditure within such county. No amount is required to be expended within an eligible county area if the computed expenditure is less than one percent of the funds available for all eligible counties.

The Governor must present an explanation of how these expenditures can be expected to increase employment opportunities for the jobless and why these expenditures were chosen over other uses.

USE OF FUNDS

Funds MAY be used for any program, project or activity in which the principal purpose is to increase the number of jobs available within the state or eligible county area.

(1) Funds cannot be used: for fiscal substitution; for "soft services" -- welfare; to displace a currently employed worker; to hire a worker in lieu of rehiring a laid off worker.
(2) Funds can be used, for example: to retrain dislocated workers; to offer low interest loans; to build an industrial park; to provide incentives to retain or attract business.

States have the FLEXIBILITY to best meet their employment and business needs of the 1980s and beyond.

- APPENDIX B -

INCOME GROWTH
(based upon available data)

RANKING (worst to best)	STATE	INCOME GROWTH
1	District of Columbia	(.160)*
2	New York	.012
3	Rhode Island	.088
4	Ohio	.089
5	Illinois	.093
6	Pennsylvania	.103
7	Michigan	.108
8	Indiana	.116
9	Massachusetts	.155
10	New Jersey	.16[illegible]
11	Connecticut	.181
11	Missouri	.181
12	Deleware	.196
13	Wisconsin	.229
14	Maine	.259
14	Maryland	.259
14	Vermont	.259
15	Iowa	.284

UNITED STATES AVERAGE -- .309

RANKING (worst to best)	STATE	INCOME GROWTH
16	Hawaii	.318
17	Minnesota	.335
17	Nebraska	.335
18	Kentucky	.352
19	North Carolina	.361
20	South Dakota	.365
21	Alabama	.36[illegible]
22	West Virginia	.373
23	Tennessee	.416
24	Oregon	.421
25	California	.422
26	Kansas	.425
27	Virginia	.428
28	Georgia	.442
29	Mississippi	.459
30	South Carolina	.463
31	Montana	.487
32	Arkansas	.493
33	Washington	.496
34	New Hampshire	.535
35	Idaho	.642
36	North Dakota	.700
37	New Mexico	.708
38	Utah	.724
39	Florida	.730
40	Louisiana	.738
41	Oklahoma	.807
42	Alaska	.832
43	Arizona	.903
44	Colorado	.909
45	Nevada	.917
46	Texas	.942
47	Wyoming	1.467

* Under H.R. 116, the District of Columbia can tap only into the first funding tier even though it experienced a negative income growth.

Mr. **Hawkins**. Thank you very much.

I think you have presented some rather novel ideas to the committee. We have discussed some of them in past hearings. However, I think you give a new twist to two of them. I would like to commend you on your presentation. I haven't had an opportunity to read the bill itself which you have included in the past statement. So it is possible one or two of my questions may be already answered.

I would certainly agree with you that all of the brains are not here in Washington. I am not sure some of the localities do, for that matter.

Mrs. **Martin**. Many I know are on this committee.

Mr. **Hawkins**. I certainly feel this decentralization is with us, we are not going to change it, and I think most of the proposals do incorporate the idea of decentralizing administrative responsibility.

There is one thing, however, that gravely concerns me about the manner in which you do it. The moneys, as I understand it, would be divided between at least two major activities, and probably more than two. One would be, say, in the neighborhood of business development or economic development; and the other great activity would be direct job generation. Is that true?

Mrs. **Martin**. I think we can guess that that is what the States and localities would use it for.

What the bill does, Mr. Chairman, is it actually says there are a few things you can't do. You can't use it for tax reduction. You can't use it to displace other normal and obligated expenses. After that, generally we allow the freedom to make those decisions.

Mr. **Hawkins**. Let's say that a local governing body—and I assume that would be the one that would make that decision——

Mrs. **Martin**. Actually, we use the State, and we use the board in effect that we set up through the training bill. We think that that has much potential for correct use. So the money is channeled through the Governor, and his responsibility is that at least half of that money has to go into those counties with unemployment figures above a certain range.

Mr. **Hawkins**. Let me get it clear. Are you using the State Job Training Coordinating Council that was created under the Job Training Partnership Act as the one that would make the decision?

Mrs. **Martin**. Yes.

Mr. **Hawkins**. So the decision still would not be made at the local community level, it would be made at the State level.

Mrs. **Martin**. Yes, it would be.

Mr. **Hawkins**. One of the difficulties that I see with that, and I served in State government myself for several decades before coming to Congress, is that the people who come to the State house are not the people who ordinarily would need jobs, nor would they represent those who need the jobs. The people that would be most influential are those people who, let us say, have the most political clout and who would, let's say, in many instances, prefer to engage in an economic development project, a parking lot downtown, a peoples mover project or a large public works undertaking, as opposed to those individuals who have been unemployed a long time, long-term unemployed, who are desperate, who are out of work, who have been out of work for a long time, who have little political participation even because they have become discouraged with political activity.

So when you get into the question of targeting, if you are really concerned about jobs, would you not agree that it would be much better to target a jobs proposal to direct job creation than to allow such a choice to be made by individuals who are more influenced because they are at the local level?

I recall that, under community development programs, UDAG and the other programs that we had through which moneys have been allocated locally, that the money always ends up in the downtown area or in some area outside of the area that some of us represent which happen to be inhabited by disadvantaged persons. It seems to me that there is a danger there. I was wondering how you would respond to that.

Mrs. **Martin**. I cannot comment on how they do things in California. I can only look to my own State as an example, and not always a good one. Are there flaws and can you have the "parking lot bandits" use this? Sure, if that is the way your Governor in your State set up that board, it could happen.

The representative from my area on our State board happens to be of the opposite party, and he is the mayor of the biggest city in the district. Politically, I am not ecstatic about the appointment. I could argue that I really prefer one of my people there. But I truly don't believe that this mayor of the opposite party would work politically against when it came time for this board to be making a decision under this bill, his home county and mine with its money because of the incredibly high unemployment. I would have more faith in him and with the other members of the board that they would be looking at the kind of projects that make jobs and that help stimulate economic activity.

The highest areas of unemployment in my district are those with traditional blue-collar industries and minorities. I can't believe anyone with a heart and brain, working together, would suddenly feel that they should do something that is not going to have a job creation effect.

You are asking how can we prevent either local or State people from ever making a mistake or misusing the money. And I say there is no way to draw that legislation. But we have seen evidences of more mistakes when we don't give that needed flexibility, when we limit severely from this city exactly what local and State governments may do.

Mr. **Hawkins**. The Chair would just interrupt long enough to announce that the two bells are for approving the Journal of the day. That shows how stupid we can become at this level sometimes. We interrupt hearings in order to go over to approve or disapprove a Journal that nobody ever reads and prevents us from doing the job for which we were elected to do.

Mrs. **Martin**. That proves all wisdom isn't here, Mr. Chairman.

Mr. **Hawkins**. I am sure there are Members who need their record to be kept perfect, so those who would like to excuse themselves long enough to go and engage in this activity may do so.

Mrs. **Martin**. I suspect this is not the time for me to leave.

Mr. **Hawkins**. Lynn, are you ready to go? [Laughter.]

Mrs. MARTIN. I am willing to explain this to my district, Mr. Chairman.

Mr. HAWKINS. I am sure you don't need this vote.

Mr. Jeffords.

Mr. JEFFORDS. I would like to follow along that line of testimony. We started off this morning, both the chairman and I, on lambasting the congressional jobs bill. I have a little concern that presuming that we are that much dumber or more selfish than all of the States and local communities, what concerns me is what concerns the chairman here, is that—at least the experience from the last go-around—there is evidence in our present jobs bill that there are monuments that all of us who have the power to distribute like to have for our memories. We have things in this jobs bill now, dams, canals and roads, that are line items for specific areas that don't have any employment because particular Members would like to have them remembered for those kinds of things.

From my own experience at the local level is that people have a tendency to want monuments for themselves, and if they can get the Federal Government to spend the money, they are very willing to do it without doing things that are meaningful for jobs.

What I am asking is don't you think it would be better if we put in here at least some requirements of standards that must be met? I notice you have a passthrough, for instance, for the counties. So I don't know what State guidance there would be in that area—that they must be related in some way to solving unemployment problems.

Mrs. MARTIN. I don't have regrets on that. I, who have always almost been ashamed of my own cynicism don't match the gentleman's on this. Maybe this is possible when you reside in a State where the recession is very deep, without overstating truly the agony of what this is. If I have enough faith even in Democratic officials which, for me as a Republican is extraordinarily difficult, I just can't imagine misusing people like that. Can someone do it? Yes. But you can actually get to them if they are elected officials.

I have no problems at all with stricter interpretation from your committee's experience if that is needed. But we are talking about people's lives. Can people misuse them? Yes. But then people should rise up and throw the rascals out.

Mr. HAWKINS. Mr. Martinez.

Mr. MARTINEZ. In reading the summary which says that the commission will meet—and evidently you say there is a commission——

Mrs. MARTIN. Yes. We had that set up in a bill passed last year.

Mr. MARTINEZ. It seems to be made up of labor, business, and State and local government officials.

Mrs. MARTIN. Right.

Mr. MARTINEZ. I have a tendency to agree with you, but I don't understand the cynicism. On a local level at least—I know because I come from local government—if you misuse funds and abuse the privilege that you have of distributing those funds, it will be very easy to get you out of office. In the district that I come from, there has been recall after recall because people got abusive with their power. In one city alone, I think there is a recall every 6 months.

Mrs. **Martin**. I thought Illinois provided the most entertainment in elections.

Mr. **Martinez**. But as long as people like that aren't making decisions, I have no qualms with it.

The one thing, though, is that it seems that after a meeting and discussion of the projects where the money might be needed, that the Governor will then determine where the funds are to be used. Is that what it means, the Governor will determine?

Mrs. **Martin**. Yes, it does. That perhaps is the weakest part of the bill.

Mr. **Martinez**. He could basically ignore all of the input that was given? Let's say he were that kind of a person that you were talking about earlier.

Mrs. **Martin**. The Governor must give written statements on why it fulfills these obligations in terms of high unemployment, and what it does.

Mr. **Martinez**. I read that. But you can justify just about anything if you are smart enough and a good enough debater.

Mrs. **Martin**. True. And if you think that all of the Governors would deliberately misuse it in the high unemployment areas of their State, it is possible for them to do this under this bill—yes. But I don't think they would be in office very long either. Since almost every Governor wants to be President, I think we are safe for a while.

Mr. **Martinez**. Thank you.

Mr. **Hawkins**. You have a lot of faith in the democratic process, I will say that.

Mrs. **Martin**. I was raised that way. As awful as it is, I still agree with Churchill. It is the best we have.

Mr. **Hawkins**. I have been listening to Governors around here for the last 2 or 3 days wailing about the deficit and talking about the New Federalism. Three years ago, some of us warned them, but they bought it. And I don't think they should be blaming the administration, because they thought they were going to get a lot of money with no strings attached. Now they have the strings and not the money and they are beginning to wail. I think they have only themselves to blame. So I do think they have been so infallible.

Mrs. **Martin**. I am not suggesting infallibility for any of the Governors. I, Mr. Chairman, as a member of the Budget Committee, had the privilege of listening to them. You will be happy to know they all agree that they will take some of the flak for the cuts they proposed. I couldn't figure out how they were going to do that since that is not something I have ever known Governors to do for Members of Congress. But I am willing to listen.

Mr. **Hawkins**. Mr. Williams.

Mr. **Williams**. I have no questions, Mr. Chairman.

I would like to perhaps say a kind word about the jobs bill, though. I wasn't here to hear any of the Members' description of criticism of the bill, but I think that there has been some before I arrived.

These bills tend to take on a different flavor, depending on where one is from. If you are from a district that is going to get some of the jobs in this jobs bill, those jobs are bread and butter, that is what they taste like. But if some other Member of Congress is going to get the jobs, it tastes to you like pork.

I just submit that when you struggle as hard as we have over this bill to reach a bipartisan consensus and you try to franchise both the White House and the moderates to liberals in the Congress, you are going to come up with a bill that is not going to satisfy a lot of people.

We all talk about bipartisanship, but when we see the results of it, generally in history we don't like it very well. What we really need, I submit, Mr. Chairman, is for the Republicans to offer a very partisan jobs bill and the Democrats to offer a very partisan jobs bill, and then we vote up and down on it, and we will get a much better bill in the end than we will through this bipartisan coalition.

Mrs. **MARTIN**. At least it would be an interesting conference, Mr. Williams.

I would just say, by the way, I wouldn't disagree with you. I think what is hard for some Members—when you are from an area with 3-percent unemployment, is that if you are the one unemployed, it is a 100-percent rate. But if you are from an area where there is 20-percent unemployment, I think it is very hard not to use some targeting. If you represent an area in parts of the city of Chicago where the youth unemployment rate is 48 percent, I think it is very difficult to not feel that that area needs some special help.

I agree that it is difficult to develop, but we are here to do those difficult jobs and try in our human way to accomplish them.

Mr. **HAWKINS**. Mr. Kogovsek?

Mr. **KOGOVSEK**. I have no questions, Mr. Chairman.

Mr. **HAWKINS**. Again, thank you, Mrs. Martin.

Mrs. **MARTIN**. Thank you, Mr. Chairman.

Mr. **HAWKINS**. Your testimony was very valuable. You have suggested some ideas that we will give serious consideration to.

Mrs. **MARTIN**. Your politeness is always appreciated.

Mr. **HAWKINS**. Thank you.

The next witnesses will be an unemployed workers panel. As I call these names, I would appreciate if the witnesses would assemble at the witness table. Mr. Pete Wray, Baltimore, Md.; Ms. Myrtle Driver, Cherokee, N.C.; Mr. Ernest Loughlin of Camden, N.J.; Ms. Trudy Persky, Philadelphia, Pa.; and Ms. Carolyn Houston of Washington, D.C. Will those who names were called please come forward and be seated at the witness table.

Let us proceed in the order in which the names were called. Mr. Pete Wray of Baltimore, Md.

STATEMENT OF PETER WRAY, BALTIMORE, MD.

Mr. **WRAY**. My name is Peter Wray. I am with the Steel Workers Local 2621 in Baltimore, Md. I work at the Sparrows Point Steel Complex in Baltimore. I have been employed there for approximately 5 years, and I have been laid off for about the past 12 months.

I am also chairman of the local free food program that goes to laid off steelworkers who run out of their unemployment benefits. I am also one of the coordinators for the Maryland Mobilization for Jobs, which is a coalition of church, labor and community groups dealing with the jobs issue.

I am here today to support the jobs bill. I think it is important that we start getting into some realistic numbers about what it is going to take to create some meaningful jobs. Among the people I work with and represent—to tell you the truth, we have had a lot of discussions about the bills that have been proposed so far by the administration.

I think, including the bipartisan effort, we see it as extremely small amounts that they are talking about. Also the fact that a lot of the money and the jobs being targeted are not at the people who necessarily are in the greatest need, although definitely some of the construction industry is in great need. There are also a lot of unskilled and dislocated workers who need to be targeted in this effort.

Currently, within the district of the steelworkers, which covers the Maryland area, we have about 11,000 people laid off. Most of these will probably be permanent layoffs. We have gone through the process, unlike the rest of the steel industry, we have had a great deal of automation that has occurred in our area. About 15 years ago, we had 26,000 full-time people producing 7 million tons of steel. The projection is that by 1985 we will have 8,000 people producing 7 million tons of steel.

I, myself, have been a coke oven laborer since I worked at Sparrows Point. We used to have 1,200 people producing coke, and we are now down to about 300 or 400 producing more coke than ever, bringing in a rate of return to Bethlehem Steel four times as much coke with half the manpower. That means that hundreds of thousands of people are permanently without a job, both skilled and unskilled.

I think we have to start looking at realistic figures across the Nation—I have been to Pittsburgh, Chicago, Gary, and New York as part of my responsibilities with the steelworkers union. Baltimore is nothing compared to some of those areas. However, there is a great deal of tragedy. Recently, we learned that some sections of Maryland have the highest infant mortality rate now among white families in the Nation. I think we are getting close to having a national tragedy on our hands as this continues.

The size and scope of the bill which is the focus of the today, I think, is getting in the right direction of what it is going to take. It is not going to take $1 billion or $2 billion. It is going to take a lot more than that. We have 15 million to 20 million unemployed workers who need and want to work.

Let me just say in closing that I hope sometime Congress gets around to looking at a broader issue with a little more comprehensive policy. I find it ironic being here today talking about the Government creating a jobs bill when, last week, we had the news of Atari leaving the country producing a subsequent loss of jobs. So I would urge Congress to look at a comprehensive policy so we don't get into the situation where the country is losing on the one hand and having to fill in on the other.

Thank you.

Mr. **Hawkins**. Thank you.

The next witness is Ms. Myrtle Driver.

STATEMENT OF MYRTLE DRIVER, CHEROKEE INDIANS, CHEROKEE, N.C.

Ms. **Driver**. I am Myrtle Driver. I represent the eastern band of Cherokee Indians in Cherokee, North Carolina. We have a population of about 8,000. Our little reservation covers about 56,000 acres.

I am going to use an example of my immediate neighborhood. There are seven houses in my immediate neighborhood. Of those 7 houses, there are 16 unemployed. Our biggest economy comes from tourism, and this lasts about 5 months, from May to October. The jobs during those 5 months would come from about 28 motels, 34 gift or curio shops, 15 gas stations, 17 camp grounds, 29 restaurants, and 4 other tourist attractions. These 5 months are the only time a lot of us can find employment.

I have 4 years of academic background behind me, 2 years business and 2 years in education and leadership development, and I cannot find a job in Cherokee. It is easy to find a job away from Cherokee, but Cherokee is my home. That is where my children are and where they go to school. How can you maintain a home working miles away from your home?

The unemployment rate in Cherokee—just an example—when my job ended in Cherokee, which was a summer job, in November, that was the first time that the unemployment office had to stay open until 6 o'clock. New claims were being taken from 1 to 3 o'clock that afternoon. I was number 83 on the list. My daughter was number 95 on the list. So this gives you an idea of what the unemployment rate is in Cherokee.

As I said, our population is around 8,000. The businesses that I mentioned, there are only two factories on our reservation which gives year-round jobs. There are the Government facilities that provide year-round jobs. But most of these jobs require college education and there are not that many positions that become available to people with a college education. Of course, we have our hospital, which is run by the Government. But these institutions don't provide jobs unless it is people with a college education.

So, in summary, we support your bill, and we also ask help in building jobs for our Indian people in Cherokee. We are not interested in asking for money so we can buy what we need or that you provide our needs, but what we are asking is for you to help us build businesses which will give our people jobs year round. We are a proud people, and a lot of our people are depending on social services and general assistance, which takes away a lot of pride from our Indian people.

We are a progressive race of people. We are perhaps unique to other tribes because we are progressive. It has taken away a lot of the pride from our Indian people by being unemployed. Our unemployment rate has been higher this year and last year than it ever has been.

Thank you.

Mr. **Hawkins**. Thank you, Ms. Driver.

The next witness is Mr. Loughlin.

STATEMENT OF ERNEST LOUGHLIN, CAMDEN COUNTY, N.J.

Mr. **Loughlin**. How are you doing, Mr. Chairman.

My name is Ernie Loughlin, and I am from Camden County, N.J. I am now unemployed. I used to work for a company called Combustion & Energy. They went bankrupt 7 months ago because of no work. My last unemployment check just ran out and I have nothing to rely on except my parents.

I heard of the new bill through the school I used to go to, Juvenile Resource Center. I was a high school dropout. I went to that school and I got my GED. Then they sent me to a vocational high school for my welding degree. I graduated out of that school the best student.

I got out of school and I got myself a job as a boilermaker. Now there are no more jobs for boilermakers. You got to be union. It is unbelievable. You go out on the streets and you look in the paper every day, you go to interviews in person, and there is just nothing there in Camden County. It is really terrible.

The bill will be creating jobs for people. People have training already, and there is no work there. It is like a loss.

Thank you.

Mr. **Hawkins**. Thank you, Mr. Loughlin.

[Prepared statement of Ernest Loughlin follows:]

Prepared Statement of Ernest Loughlin, Camden County, N.J.

My name is Ernest Loughlin. I ask that my comments be entered for the record.

There are a lot of kids out there who are out of work. I know because I'm from Camden, New Jersey, an economically depressed city. There's so much being said about how to help get jobs for kids, I'm telling you about what it has been like for me so you'll have some idea of what you're really dealing with. I'm out of work but, believe it or not, I'm one of the lucky ones.

The reason I'm in better shape than most of the unemployed kids is that I came to the Juvenile Resource Center about 3½ years ago. I was a drop out, but I worked for months and got a high school equivalency degree, called a GED. Then I was sent for training at a vocational school and I became a boilermaker helper. I did get a job, which I had for two years, and for awhile everything was great. The only thing I had to worry about was how much income tax I had to pay! I was earning a couple of hundred dollars a week. My boss liked my work. We got along fine.

About 10 months ago things really began to slow down for the business. After a couple of months of hardly any work, my boss had to lay me off. I have now been out of work for 6 months. I work a few hours every couple of weeks, when they call me, but nothing steady. I have used all the tricks I learned at my Missions Employable program when I was at Juvenile Resource Center. I get on the phone every week. I put together a new resume. I have called every employer in the Camden County phone book who could conceivably use a boilermaker, I've tried to get any job at all, but I'm still out of work.

When I talk to business owners or managers, story's always the same. In good times, we'd hire you in a minute. We can always use a trained boilermaker. But business is slow and we're just not hiring.

The message I'm getting is that there are just no jobs. I keep hearing about training programs being started, but what about those of use who are already trained and can't find jobs? I can't believe that there's nothing that you can do to open up some jobs for people like me who want to work.

My unemployment's running out. When I was working, for the first time in my life I had put some money in the bank. It's all gone now. I don't have anything to fall back on.

I don't read much about political news, but somebody at Juvenile Resource Center told me that the federal government was hoping that businesses would chip in to help out agencies that lost government funding. That's crazy! The guys I've talked to in private business can't even keep their own heads above water. How are they going to help other people? They have no jobs open.

Look at the city of Camden. It's in pretty bad shape. I can't believe that there aren't projects you could do there to get the city moving again that could also put people like me back to work.

For the first fifteen years of my life, I was no prize. I dropped out of shcool. But for the past couple of years I really cleaned up my act. I got my life together, got a diploma, got a skill and now they tell me there are no jobs. Somebody better do something and right away. For everyone like me sitting here there are a hundred thousand on the street that don't have any skills, no education and no experience. If I can't find a job, not many kids will. I hope you'll decide to do something about it. Thank you.

Mr. **Hawkins**. Ms. Trudy Persky.

STATEMENT OF TRUDY PERSKY, REPRESENTING PHILADELPHIA UNEMPLOYMENT PROJECT

Ms. **Persky**. I am Trudy Persky. Today I am representing the Philadelphia Unemployment Project.

I think it has been demonstrated that to be unemployed is to be adrift economically, socially, and psychologically. But to be unemployed between the ages of 40 to 65 is really devastating, since the prospects for rehiring have proven to be limited.

I have been unemployed for 1 year as a consequence of Reaganomics and budget cuts to the U.S. Public Health Service. As a result of my volunteer activities with the Philidelphia Unemployment Project and contacts with other unemployed people, it is apparent that employers are reluctant to hire people in this age group.

Experience is not regarded as a virtue when economic conditions are grim. Employers are inclined to hire entry level people who will be less costly in terms of salary and pension benefits. Many people in this age group have lost positions after working for a number of years in companies which have gone bankrupt or who have moved to other areas.

In a recent Jobathon sponsored by Congressman Kostmayer of Pennsylvania, the majority of the 800 people who phoned in were between the ages of 45 and 60. With pensions in jeopardy as a consequence of bankruptcy, people who have been employed have limited hope for employment again and face economic adversity once their unemployment benefits are exhausted.

I think such a fate is tragic for people who have been productively employed for 20 to 30 years. If these people do succeed in securing employment, they have no seniority rights, and may face another round of layoffs as the economy contracts and expands. It is my observation that this group of formerly productive citizens are becoming increasingly disaffected with the participatory democratic process and a system which is fraught with economic uncertainty in their older years.

I recognize that it is difficult to address issues of unemployment in terms of targeting for a particular age group. Yet, I think it is important to recognize that unemployment is not just an amorphous state, but it does have different consequences for people are varying stages in the life cycle. So I would hope that in your bill you would take this into consideration in terms of possible additional financial assistance for people over 40 whose unemployment benefits are exhausted.

Another point I would like to make is some possibility of a centralized job bank. In my contacts with people, we have found that newspaper advertisements, despite the opinion of our President, are of practically no value. I speak for people who are looking for jobs who have been bank vice presidents or steelworkers. Many advertisements seem to be placed only to satisfy affirmative action requirements when the position has already been filled. Frequently blind ads are placed by employment agencies or recruitment firms who use this information for their own purposes rather than actually trying to secure jobs for people.

I would like, in closing, to say that aside from the economic considerations, that the most important aspect in the maintenance of mental health is the element of hope and the conviction that the situation can improve. For the older worker, the realities of the current recession do not generate optimism for the present or for the future.

Thank you.

Mr. HAWKINS. Thank you, Ms. Persky.

Ms. Carolyn Houston.

STATEMENT OF CAROLYN HOUSTON, WASHINGTON, D.C.

Ms. HOUSTON. First, I would like to express my appreciation to the committee for asking me to be here to testify.

My name is Carolyn Houston, and I am a single parent. I am separated, unemployed, and my only means of support is Aid to Families for Dependent Children.

I have been unemployed for 16 months. In between this time, I have been through a training program at Wider Opportunities for Women [WOW] for a technical skill. I have also been searching for a job.

In the WOW training program, I achieved skills in electricity, mechanics, general math, counseling and job readiness. There was a course in preparing for a job, such as how to present myself at job interviews. Upon the completion of this program, I was issued two certificates. One was for the completion of the course, and the other one was for research for a project that we had to complete.

I have background in areas such as electronics, retail sales, cashiering, cooking, and teacher assisting. At the present time, I am willing to accept any type of position in those fields. I am a determined person, I am in good health, and I am very ambitious, quick to learn, easy to get along with, and I still don't have a job.

I am presently spending much of my time volunteering at a parent partnership program in the D.C. public school system. I also am a consultant for the Unemployment Council of Washington. This organization is for unemployed people with low incomes. We help people find jobs, locate apartments and counsel individuals on any problems that they might have.

Right now, I am receiving a stipend for the next 3 weeks from the United Postal Workers Union. I am a coordinator helping to set up the national lobbying march scheduled for March 15. The organization helps the unemployed get jobs and fair treatment from agencies. Also, we hope to establish a union that speaks for all of the unemployed people in the Nation.

Consequently, I have made efforts in seeking a job. I have been involved in job fairs and have looked for a job in private industries, and I do have the proper credentials that I need to present myself for a job. I have mailed out résumés, checked with the school where I completed the program, and I have also checked job listings which came into that school. I have used the classified ad section of the newspaper, word of mouth leads and the yellow pages. I have also been making lots and lots of telephone calls. I have made many attempts to attain employment.

To really look for a job, it takes at least from 30 to 40 hours a week, and then sometimes you don't even get responses. But when I do get responses, the ones that I have gotten, usually they say I don't have enough experience or they don't have a position at that time. They say they will keep my résumé on file and that the position I was applying for will take more experience than what I have to offer.

The problem that I have faced since I have been in the job market is hours. Usually, you would have to work a different shift. I was offered a position in Virginia. This was on a second shift. The reason I couldn't take the job was because of the day care situation that I have. They were evening hours and, by me having two children, I would have to have somebody during that time that would really be responsible for them getting their homework done and everything that they need to do. By me getting off at 1 at night, I wasn't able to accept the job.

Transportation was another problem. I checked thoroughly. I have to depend on public transportation because I don't have a car. Due to the fact that buses run only on certain hours and are not going through the route that I really need to get to the job, that was another reason that I wasn't able to accept the position.

Another thing that I have experienced as a problem is the test that you have to take. You have to pass the test before you even get accepted in the company. I find that these tests are very difficult. I think that college graduates would have problems with them.

After searching for a job and coming up with all of these problems, it leads to a problem of frustration. I have encountered problems. Continuously looking for a job really gets a person out of wanting to go look for a job.

In conclusion, I am very much concerned about unemployment because I feel I have a lot of myself to offer a company if hired. I am also still searching, and I am sending out résumés and filling out applications. But, just like I said, the responses are really awful, the ones that I have been getting. You get tired of hearing the same thing over and over again.

I suffer and my children suffer. I cannot present to them the adequate and right responsibilities that I have to show them.

I would like to conclude by saying that I am for the bill and I really hope that it will be passed. Thank you.

Mr. HAWKINS. Thank you, Ms. Houston.

What training program did you complete? You indicated at the beginning of your statement that you had gone through a training program. Would you indicate what program that was?

Ms. HOUSTON. Yes. It was Wider Opportunities for Women. They train you for technical positions.

Mr. **Hawkins**. At the time you completed the training, were you given any job assistance from that moment on?

Ms. **Houston**. Yes, and I still refer back to the school.

Mr. **Hawkins**. You refer back to the school?

Ms. **Houston**. I go back to the school for assistance. They have job listings coming in from different places. Most of the time, the jobs that are open, when I check into them are out of public transportation range. That is another problem that I have.

Mr. **Hawkins**. Do you believe that you would have been able to become employed if you had been given child care assistance of some kind?

Ms. **Houston**. Yes.

Mr. **Hawkins**. But you have been unable to get that assistance, is that it?

Ms. **Houston**. Not at the hours for the job that was offered to me, not at those hours.

Mr. **Hawkins**. It was in some other location, was it?

Ms. **Houston**. Yes. It was in Fairfax, Va.

Mr. **Hawkins**. Ms. Persky, I would ask you about one phase of the problem that you have mentioned, and that is those who are between the ages of 40 and 65. Assuming, as one of the proposals does, that the individuals will be selected for job placement or that the jobs will be targeted to those who are long-term unemployed, and among those, priority will be given to those who, for one reason or another, have been the longest term unemployed. Do you believe that is dealing with the problem of the elderly citizens who, in most instances, would be those longest unemployed and in greatest need? Do you think there should be some more specific targeting for the elderly?

Ms. **Persky**. Yes. The 45-to-60 age group, I believe, should be targeted because there is this resistance on the part of employers. Yet, it is a subtle kind of thing. You are never told we are not being hired because of our age. But this has been reported to me on so many occasions from the people in that age group that I do volunteer work for.

Until the Federal Government really encouraged strongly the hiring of handicapped people and of minorities, nothing really happened until specific legislation was passed to prohibit discrimination against such individuals.

Mr. **Hawkins**. Thank you.

Throughout the testimony of the witnesses, the subject of training has been suggested in many instances. However, it seems that, in spite of the training, there are difficulties still remaining, so that it would seem from the consensus of the witnesses that training alone is not really enough, that it takes a little bit more than that.

I think that you, Mr. Wray, represents an industry which has perhaps the greatest number of individuals who have been laid off. Many of them, I assume, have good skills and good backgrounds. What seems to be the difficulties? Is merely emphasizing training enough? In what way should the training be made more effective if there are not jobs available? Should the training be more directed toward jobs that are likely to be existing and, if so, would there be enough jobs then to take care of any substantial number, let's say, of those with whom you have had some experience?

Mr. **Wray**. The training without placement is, for all practical purposes, worthless. To tell you the truth, it is a waste of time. We have steelworkers who are trained. We have people who are pipe fitters, welders, mechanics, and mechanical helpers. Many are now on the streets and they cannot find jobs at this point.

Baltimore County apparently has a model job training program. It is estimated that it will be able to take, at best, 1,000 people a year. Like I said before, there are 11,000 steelworkers who are laid off. That is just one sector of the economy.

In a sense, there isn't enough training to go around, and for people who are trained, there is no placement for them. There needs to be placement. There needs to be cataloging of what skills people have to get a sense of what is out there. I think that is important.

We have a welding institute in the city. It used to be that hundreds and hundreds of people would go through the institute. With the shipyards being shut down and the steel mills being closed or automated, it is basically throwing money into the wind because you don't get any return for it. Although there are a lot of promises with some of the training programs, I think it is kind of a cruel joke to play on people as long as there isn't some sort of direct placement after completion of these programs.

Mr. **Hawkins**. Mr. Jeffords.

Mr. **Jeffords**. Thank you, Mr. Chairman. I certainly want to thank the panel.

I have some questions that are going to be rather tough in the sense that they deal with not what we would like to do but what may be realistic to do. I know there are great needs. We have had some excellent testimony before this committee on that issue.

Right now, for instance—to give you some ideas on some other figures you might be interested in—we have about a million people with a total family population of about 3 million whose health benefits have expired. We have about 2.5 million families whose head of the household is unemployed. Unfortunately, we have a limited amount of resources.

I would like to get your feelings, and I have asked this question of other people, as to what kind of priorities we have to try to establish with regard to this kind of assistance. Of course, we would all like to make sure that everyone, or all those families, had sufficient income to live on. To give you an idea of the magnitude of that, just assuming a $10,000 figure, that is $25 billion that we would have to spend to give adequate—adequate is not the word—but at least a shot at having enough money to live on.

Presuming we don't have that, we have to start thinking about other areas. I'll try to divide those in two areas. One is the humanitarian needs, and the other is training needs.

I wonder if you could tell me as a panel where your highest priorities are in the humanitarian area. I will narrow them down to nutrition, health care, and maintaining someone's home that they saved up for and may be their only asset. These are tough decisions. These are the ones we have to make.

First, I would ask you if there are needs in these areas, especially with the long-term unemployed? Are there problems with health care and, if so, what should we do about it, and the same with nutrition needs and preserving the home?

Ms. **Persky**. I would like to speak to health care since I formerly worked for the Public Health Service.

I think what is happening is people who are unemployed, as you know, lose their health benefits. The only resource available to most people is the emergency room at the hospitals. These emergency rooms are very hard pressed and they are only going to take care of the most extreme kinds of situations. So I feel that, for people who are unemployed, their health is really in jeopardy, because they have no other recourse, by and large, once their insurance is cut off.

Even though we know that these emergency facilities are supposed to accept people, many times emergency rooms simply don't or have ways of turning people aside.

Mr. **Jeffords**. Does the panel all agree with that statement?

Mr. **Wray**. I don't know if this came from the national news or whatever, but a doctor we work with recently told us a story about a hospital in Alabama that has now started to shut down its emergencyroom on the weekends. That is basically aimed at people who are low-income. I think that is a response to the situation of the need for health care.

I am not sure what your original question was.

Mr. **Jeffords**. Are there critical problems right now with our present social programs; that is, in many cases, are they not available to unemployed because of asset tests primarily?

Mr. **Wray**. We did a survey among the steelworkers in our food program. These are primarily people who have run out of benefits or are close to running out of benefits. Only 5 percent of those people qualified for food stamps. What they do qualify for is one 5-pound block of cheese twice a year, and that is about it. That doesn't go very far, especially if your checks have run out, your unemployment checks.

Our health benefits run out after 6 months. We end up going to the emergency rooms and trying to work out deals with doctors. Our union was able to set up some discount arrangements with some medical groups. In Maryland, we are having 6,000 cut off of the WIC program. You start getting a multiplier effect here. WIC is one of the most cost-effective preventive type of nutritional programs that impact on overall health. Now, to be cutting off 6,000 women and children at a time like this is going in the opposite direction we should be going in.

Even if you do qualify for food stamps—my household does get food stamps—it is no great thing, $30 a month. That does not put food on the table, I can tell you, and nor does cheese. You can slice that 5-pound block of cheese *x* number of ways, but there are only so many times you can serve it and so many ways you can serve it.

As far as mortgages go, there are some cities that have had greater impact, because of the cycle of layoffs, than Baltimore has, although Baltimore is starting to get into the cycle of evictions and foreclosures, such as in Philadelphia, Pittsburgh, Youngstown, and Detroit.

To tell you the truth, I don't think people in our union are ready to see our members' houses be foreclosed on. I think you have seen a number of actions by people in their communities, as well as sheriffs, who are refusing to participate in this.

I can't speak for the whole sector of the population; steelworkers have a lot of pride. They are used to a moderate standard of living, regardless of what the press says about the highest standard of living and the wages. If you believed the press, you would think we lived in Beverly Hills. But the truth is most of us have a very moderate standard of living and are not about to see their families go without health care, go without food on the table, or let their housing be foreclosed on.

I have had people come to me telling me they will go out and rob a store or a bank before they will let this happen. For the first time, we had a food co-op, a neighborhood community food co-op, to low-income areas. It was broken into twice, not to steal money or anything valuable, they stole canned goods, just a couple of cases of canned goods. So things are getting very desperate at this point.

Those three areas are all important. There is a huge, unbelievable problem in those areas.

Mr. JEFFORDS. Let me now focus on another part of the issue. Presuming we have a limited amount of money, I just want to dramatize what Chairman Hawkins, Mrs. Martin, and I have been talking about.

How would you allocate it? The bill we are looking at this afternoon is supposed to be directed toward the unemployed. I pointed out that it is not likely, from past experience, that people will be hired and go off of unemployment. The bill will provide high-paying jobs to 1 percent of the unemployed. If we use those funds for subsistence types of jobs we could give jobs to 7 percent of the unemployed. If we were to use it for training or retraining, we could retrain about 20 percent of the unemployed.

I ask you that if you found that the Congress this afternoon was giving high-paying jobs to 1 percent of the population—which is generally what we are doing, although, fortunately, prior to that, it has been better balanced than that—would you think we had our priorities right?

I see everybody shaking their head no. I just wanted to confirm my own belief. I would hate to go and talk against this bill this afternoon and not feel that unemployed people would agree with me.

It does point out the tremendous problem we have. My guess is that the amount of money we will be able to spend in phase 2 is liited. This is phase 1, the quick fix propaganda route to give everybody a little bit of feeling that we are trying to do something for the unemployed and to get some cheers on the body politics.

We may have probably, at the most, maybe $10 billion for phase 2, of which maybe a half of that, probably $5 billion, will be needed to extend unemployment benefits again. We are probably going to be down to somewhere to maybe $5 billion or a little bit more to take care of all of the humanitarian needs that you are talking about, plus trying to do something in these other areas.

I just wanted to let you know that we have a very, very tough problem in trying to do this with a $200 billion deficit facing us.

Economists are telling us that if we spend really much more than that it is counterproductive, and that for every job we create, we lose one. The best hope, is to get the economy turned around. I just wanted to make those points.

I appreciate the panel's reaction.

Mr. HAWKINS. I will ask a slightly different question from that of Mr. Jeffords, which I thought was a very good one. He got at least a physical response, a headshake.

Suppose the moneys were spent on a purely emergency basis—rather than call a bill that is not a jobs bill a jobs bill, but rather to go to work on a jobs bill and, at the same time, provide emergency assistance of a different nature. The witnesses have testified as to the emergency health needs as well as the food needs that are present among millions of the unemployed at this particular time.

Would it be more profitable, let us say, to take the roughly $4 billion and provide emergency food and health services, and then work out a real jobs bill for the long-range problem.

Mr. WRAY. If there is a genuine commitment to work out a real jobs bill———

Mr. HAWKINS. Mr. Jeffords and I are hoping that phase 2—we would like to move phase 2 up right now. We may have differences as to what the jobs bill would be, but let's assume that we expedite phase 2 and work out a real jobs bill. What we have now is some starving people and some people who are desperately in need of health services and unless they are taken care of now, we will be in worse shape in a few months. Would you feel that we could profitably spend—not as the long-range solution, but certainly as an emergency solution—something to take care of these desperate people who are out there right now?

Ms. PERSKY. In my view, that would be the first priority. I would like to think that our Government is responsive to the most basic human needs. Certainly housing, food and shelter, I regard as the most basic. To try to make some distinctions between those three I find impossible.

So I would agree with my panel member that as long as there was a concrete jobs bill coming along and that this would not be used politically and say, "We passed a jobs bill, why should we pass another?"

Mr. HAWKINS. That is the fear that we have, that this will end the great drive for a jobs bill. So, in that way, we are not advocating taking the money away from a jobs bill, but some of us believe that efforts to get a jobs bill will be undercut by something which is being done now. We may as well recognize it to be an emergency bill to take care of desperate needs and call it what it really is and, by doing so, open up the possibility that we would then be forced into the position—I hate to use the word "force," but that probably is true—forced into the position of then giving the people what we are, in rhetoric, promising them at this time.

Ms. PERSKY. In my view, that would be a much more rational approach.

Mr. HAWKINS. Thank you.

Mr. Gunderson.

Mr. GUNDERSON. Thank you, Mr. Chairman.

One of the problems we all have here in Congress, and particularly on the Education and Labor Committee is that most of us have three different committee meetings going on this morning. I just want you to know that I think I selected the right panel for this particular committee. You tend to put a perspective on the unemployment problem without a lot of facts, figures, and numbers and economic theories which are not all that beneficial to getting to the problem.

I find myself as one of those people who finds it very difficult for Government to create jobs per se. I am not sure we are very good at that. I think what you have been focusing on—the immediate problems of food, health care, and unemployment compensation assistance being extended—are essential.

But as I heard many of you speak, Pete, Ernie, and Myrtle in particular, all of you talked about the problems you are having in getting jobs in your areas of specialization. I think that gets at what the distinguished chairman and ranking member led through Congress last session: job training.

I don't know how we can as a Congress and as a Government do something that is going to guarantee that every steelworker or boilerworker in this country, even the majority of those who are laid off, will go back to work. I don't know how we, in and of ourselves, can guarantee that there be the kind of tourism in North Carolina that you would like. But I think we can provide some assistance, and we have to, in the area of retraining. I know that is tough, but I don't know what else we can do facing the changing American society that we are looking at.

I would be interested to know—Pete, you said that training without placement is worthless. I understand that. But I think that what you were really saying is that training in an area where there is not a need for a job makes that training worthless. We have got to make sure the training is focused toward the job opportunities that will be available.

I would be interested, with your experiences in this panel, as to where we can focus our dollars at the Federal level to help you get that permanent private sector job. Are there any suggestions?

Ms. DRIVER. I would say business development. Like I said, we are unique where I am from. In the summer, you can find a job anywhere, in a restaurant, motel, or a gift shop. But then after the 5 months, there are no jobs. So business development would give year-round jobs where I am from.

This is what I am thinking now. We can take care of our health needs. We can take care of nutrition. But pretty soon, we are not going to have a place to prepare these foods. We are going to be losing our homes. We can always walk—I mean we can lose our cars—but we are going to be losing our place. I am using myself as an example. I am at the point right now of losing my home. So I am not even going to have a place to prepare my food. I certainly can't cook out in the bushes.

Ms. HOUSTON. I think that child care would be an area where the funds would be most needed. Just as I was saying, lots of people are offered jobs at different hours and, for them to accept a job, child care is very important. If they can get it and if they can depend on the people who are keeping their children when they are at work, it would help.

Mr. WRAY. The problem is—and I would maybe throw the question back to you—where are those areas? Who has that crystal ball? I have been to Johnstown, Pittsburgh, Detroit, Chicago, and Gary. Every place that has a plant that shuts down, they all talk about attracting new industry, high technology and retraining their people and shifting their economic base. There are only so many of those new industries to go around, and they can't go to every city.

I don't know what those jobs you train for are at this point. In Baltimore, the computer schools are filled, and only placing something like 4 out of 10, not because they are not qualified, but because they can't place them. Even within the high-tech industries, many of those jobs, even programing jobs, are not long-term jobs, according to the counselors. Those are jobs which are just a gap in the technology. As soon as those can be replaced by a simpler mechanism, programers aren't going to be needed.

I think what is happening, and this is from my own perspective, is a fundamental shift in the economy that is going on right now. I don't think anybody has a clear idea exactly where—for people like ourselves, where is our place in all of that? It is kind of like throwing the dice and seeing what comes up. A boilermakers job is a pretty secure job, and the country certainly needs it, I would say.

Mr. LOUGHLIN Not anymore, I can tell that. They have too much machinery that does all of the work.

Like Pete said, I went to school for a vocation, for welding. I was in school and there were millions of jobs out there for welders. I walked out the front door and there was nothing, it was like blank. You could get a job for $3.35 an hour, you spent $9,000 for schooling, and it just doesn't go. You search for jobs and there is nothing there. You go everywhere. I went to the Philadelphia Naval Yard. I have been applying there for 5 years, and the same thing is there is no work. You read in the paper that there are 5,000 jobs for boilermakers, steelworkers, pipefitters, welders, but there are no jobs.

I can see our veterans going first for a job. They deserve it. They fought in the war. But what about a veteran's son? My father died in the war. Don't I deserve a chance to be somebody? No, they don't think so. It is a crying shame.

You stand in an unemployment line and you see all those people. There are kids who don't have any food. It is a real crying shame. People should just wake up and start taking care of one another instead of just kicking people around. Everybody is being kicked around.

I hope this jobs bill goes through, and that it is not just retraining people for new jobs, it is helping young people, people 35 to 40, it is helping everybody, and not just one individual and not just one township or county, whatever.

Mr. GUNDERSON. Thank you.

Mr. WRAY. Could I make one comment?

Mr. GUNDERSON. Yes.

Mr. WRAY. It concerns retraining. It is one thing if you are coming out of school and haven't had a job and you are looking for a job for the first time, and there is a great need for jobs for those people. But there is also a great need for jobs for those people who have worked before, who have had a career. who had a job as a steelworker, boilermaker, teacher, whatever.

Much of the training that we are being hit with appears to be also for a lower standard of living. I hate to say it, but you cannot—in my life, unless you are going to give me two of them, I can't go to a minimum wage job at this point and realistically hope to hang on to my house. My wife already works part time. It is very hard to stretch now. There are a lot of people, including myself, who are willing to work two jobs if that is what it takes. But if the retraining is for a lower standard of living or for a lower paying job. If you are talking about going from a teacher to a secretary or something, with a concurrent drop in salary, then the ripple effect that it must have on the economy is not going to pull us out of the problems I think we are going to have.

Mr. GUNDERSON. Thank you.

Thank you, Mr. Chairman.

Mr. HAWKINS. Thank you.

Mr. Bartlett.

Mr. BARTLETT. Thank you, Mr. Chairman.

I have taken so many notes and I have so many thoughts, as I think most Members of Congress do on jobs and the economy and the employment situation, I am not sure where to start. I will start by thanking the panel, as my colleagues did, for your excellent, very real-world presentation on what is happening in the labor markets.

I might start where Mr. Wray left off. Who has the crystal ball? That is a rhetorical question which is left hanging, and I would tie it back to something you then later said, and that is many of the government retraining programs seem to be retraining for a lower standard of living, minimum wage jobs or slightly above.

I would suggest that perhaps that is one of the problems with Congress trying to allocate the crystal ball. We are about to pass a jobs bill, I think, this afternoon. I was pleased and surprised to hear the chairman's and Mr. Jeffords' serious reservation about the jobs bill, because I concur with them. I don't think what we do this afternoon—I think we are going to spend a lot of money. I think we are going to create a lot of public works. I think we are going to build a lot of things. But I don't think it is a jobs bill because it doesn't seem to me to be creating jobs or training people for jobs that are there.

I would suggest that perhaps that is the problem with Congress trying to allocate where the crystal ball is, and that is that Congress will do the macroeconomics and take the broad brush and end up retraining people for jobs that they may not want or may not be good for them.

I don't have the crystal ball, but I think it does exist. I think the marketplace, in fact, will set who is demanding jobs, who is hiring and who is not hiring, and then if we in the government can find ways to facilitate that search and train people for the jobs that they want and that industry wants to hire, then I think we will all be better off.

I would like to ask a specific question of Mr. Wray, and give you a chance to comment also if you would like to. There are some proposals, and I think they will pass, to adopt a simple extension—it is more complex than that—but to adopt another extension of unemployment benefits. The steelworkers will be specifically affected by that. There could be other extensions in the future.

My question is if we extend unemployment benefits without a training requirement or without a requirement that, at some point, the unemployed worker begins going to school and retraining or doing something, does that really help or does it exacerbate the problem?

Mr. **Wray**. Giving the opportunity to be retrained while receiving unemployment benefits would be a breakthrough. Right now, in Maryland, you can't receive training and receive unemployment benefits. That is a major problem. People have been making the mistake of getting into training programs and then have lost their unemployment benefits.

We are required to go out 3 days a week, and we have to come with the names of four places that we applied to. If we are caught in a training program, we lose our benefits. If there could be some sort of mechanism worked in where we could get into an approved training course and receive benefits, that would be somewhat helpful.

In terms of requiring it, I don't think that is going to do much good. I think there is an incentive in receiving unemployment benefits to get off of it. You cannot live on unemployment benefits, at least in the State of Maryland. You cannot live on $140 a week. So it has its own incentive to get off of it built in.

An extension of benefits would definitely be helpful, although I think that probably all of us feel that if it was job-to-job unemployment benefits, that might be a little—we still think that 10 weeks from now, or 4 weeks, or whatever the proposal will be, we are going to be right back where we started from.

Mr. **Bartlett**. So you suggest that, at the very least, the government permit an unemployed worker to be in a training program or a retraining program because that ought to be the purpose of unemployment benefits, to give a person a chance to make that transition into a new career? And that is prohibited now.

Do you find the same in your State?

Ms. **Persky**. I would like to speak to that. I know that in my own case there were seminars that I wanted to go to. If it was a day that I had to appear to sign for unemployment, I couldn't go. They are absolutely rigid about that.

I have spoken to people in the line—where sometimes I have the best conversations—and one person said, "I am really going to school, but I hope they don't find out." In fact, we have a system which is forcing people to lie. Requirements are you must be ready and available for work. If you are going to school or if you are attending and educational effort, it is interpreted that you are not available for work.

Mr. **Bartlett**. Do you find that in each of the localities? I appreciate that.

The so-called jobs bill that will undoubtedly pass this afternoon doesn't seem to me to be a jobs bill. The humanitarian portions, the extension of benefits, is one thing, but the list of highways and Federal buildings and community development grants and small business activities and park and recreation areas—it seems to me that if we were to take that money and, as a voucher or an account so that an unemployed individual could find a training program that tied in with real industry placement. I think that we would spend a whole lot less money in training and place a whole lot more people in jobs.

I would suggest as we continue on this project of jobs creation proposals, this Congress and this committee think some creative thoughts and maybe break out of the mold of a lot of the so-called jobs programs that only involve throwing money at unemployment like the Congress has tried in the past. I think that we must tie placement to training. In Waco, Tex., a city with significantly high unemployment, there is a technical institute that enrolls 5,000 students. The institute achieves virtually 100 percent placement of their graduates because they understand the purpose of training is not to get a certificate and get Government money, but in fact to place workers into productive jobs.

I have heard suggestions of a GI bill for displaced workers with a voucher or a certificate so that a displaced steelworker can take that voucher and go get retraining. Individual training accounts is an idea that has been talked about—again, not using public funds, but funds that are already there.

The Government has today 23—we heard testimony last week—23 different programs that have been created in the last 20 years that deal with displaced workers. It seems to me that if this committee were to be able to bundle up all 23 of those programs, add up the total funding, and then come up with a program which in fact did do something about training and placement in the real world—and I especially appreciate Ms. Houston talking about child care, because I think that a lot of times there are things that the Government and the Congress and local governments can do that don't appear to directly affect job, and child care is one of them, but have the most major affect on unemployment as anything else we can do. I think child care, in fact, is one of them.

Ms. Houston. Excuse me. What about the people that are not so fortunate as to have been steelworkers and have any kind of career whatsoever? How would they advance from that?

Mr. Bartlett. I think the same concept applies. I think the steelworkers or the auto workers or the displaced workers—it is not a matter of trying to decide between them in terms of training.

I was on the city council in my own city. What disturbs me is that we have experienced some of the same phenomena, and that is people who would come out of training programs trained for a job that didn't exist, and then would have to start the whole cycle over again. You have experienced that. That seems to be not just a waste of Government money, but, more significantly, a waste of a part of your life when you went through a training program for which a job didn't exist at the end. That is the tragedy.

As far as the particular problem of displaced steelworkers, the problem is that the steel industry is going to come back in this country and the auto industry is going to come back in this country, but when it comes back, all of the experts say, and I think we all agree it will be true, it won't come back with the same number of jobs. And that is the essential mathematical change that will have to be made.

Thank you, Mr. Chairman.

Ms. **Persky**. I would like to make one point. Through the years, we hear that certain jobs bills didn't work. It seemed to me when I worked in human services at the State and Federal level that there is very poor evaluation built into any of these programs about what works, so that it becomes more a matter of hearsay rather than any kind of systematic evaluation as to what programs did work or didn't work.

I would like to submit that for your consideration, that any program having built in a system by which it can be evaluated.

Mr. **Bartlett**. Would you attach a placement requirement on any training programs so that some percentage, such as 85 percent, some large percentage of the persons who graduated under that program would have to be placed into permanent jobs or, otherwise, that program would end and the money would go to a program that could comply to that?

Ms. **Persky**. Yes. I think that has been one of the major problems in either Federal or State programs of this sort, that they have had very poor evaluation mechanisms or really none at all, so nobody really knows.

Mr. **Bartlett**. I thank the panel.

I thank you, Mr. Chairman.

Mr. **Hawkins**. Thank you.

Again, may we express our appreciation to the panel. It has been one of the best panels we have ever had. I would like to thank each and every one of the participants.

Ms. **Persky**. Thank you.

Ms. **Driver**. Thank you.

Mr. **Hawkins**. That concludes this panel.

The next witness is Mr. Ed Pastor, county supervisor, Maricopa County, Ariz.

Supervisor Pastor, we have your prepared statement. It will be entered in the record in its entirety. We would suggest that you summarize from it and give us the highlights of it, and then we will question you.

STATEMENT OF ED PASTOR, COUNTY SUPERVISOR, MARICOPA COUNTY, ARIZ., ACCOMPANIED BY PATRICIA CRAIG, HUMAN RESOURCES DIRECTOR, NATIONAL ASSOCIATION OF COUNTIES

Mr. **Pastor**. Mr. Chairman and members of the subcommittee, good morning.

As you heard the chairman, my name is Ed Pastor, county supervisor, which is an elected position, in Maricopa County and Phoenix, Ariz.. I am also vice chairman of the National Association of Counties' Employment Steering Committee. This morning I have with me Patricia Craig, human resources director of the National Association of Counties.

I will agree with you that, since you do have my prepared statement, I will do it off the cuff because I enjoyed what I heard at the beginning.

In Maricopa County, the county which I represent, we have 68,000 unemployed people. They run the spectrum that you saw before you. We have steelworkers, aluminum workers, and we have professional people who came from the public industry and also that private sector. Also we have those people who are unskilled and coming into the labor market. We have a 10-percent unemployment rate in Arizona.

You, yourselves, question whether or not this is a humanitarian gesture or is this jobs creation. I think you are accomplishing both things. To be unemployed is very demeaning. If you have never been unemployed and have never had that feeling, you probably cannot have that sense of frustration that many people in our country are having right now. You can get an unemployed check, you can get food stamps, you can get all kinds of assistance; but it is not the same thing to be able to say "I'm going to work this morning." Whether that job is created in a public sector—but you get a paycheck. But it gives you a sense of worth which is very important.

We have a problem with the homeless, in the sense that they have lost their homes and they are building tent cities. In Phoenix, we have Fort Swampy. People have lost their jobs and they couldn't meet their mortgage payments. They are receiving food stamps because they are unemployed. They need a job.

I think, and I believe, Mr. Chairman, that we can accomplish in a short-term phase employment that will begin solving some of the human problems—lack of food, homelessness, and the inability to get medical services and those things. So I think we can do it.

As the formal document will hold for, we think that the Community Renewal Employment Act, H.R. 1036, has several principles that we endorse. We would strongly recommend that they be included in any final bill that comes out from the subcommittee. Because the problem is immediate and has been with us for at least several years and the need to a great number, we need for you to guarantee a quick start. We need the jobs now. We don't need the debate to carry on so we can get the jobs a year from now. We need the jobs now.

I believe that in this country we already have a system that would allow that quick start. You have local communities, local jurisdictions, who have been involved in manpower, under one name or the other, for many years. Some are still in existence. They can deliver, I think, jobs in a quicker manner. They will also be accountable because they are run by elected officials. They have to be accountable.

Another principle we would like to continue is that you provide for equitable distribution of Federal funds to local units of Federal Government and you base this on a local needs factor. I told you that Arizona had 10 percent unemployment, which is about 140,000 unemployed In Maricopa County, we have half of that unemployment, 68,000. So you kind of have to look at——

Mr. **Jeffords**. What is your population?

Mr. **Pastor**. It is about 4 million statewide.

Mr. **Jeffords**. What is the population in your county?

Mr. **Pastor**. About 1 million.

Mr. **Jeffords**. So you have almost the whole population.

Mr. **Pastor**. We have almost the whole population. We also have most of the problems.

We would also ask that you target funds to communities hardest hit by unemployment. All areas would be eligible, but that you increase the funds where the problem is most severe, so that you would have a targeting to the areas that have the greatest number of unemployment.

I think that you should restrict the hiring to the long-term unemployed, and priority should be given to those people who have lost or are about to lose their unemployment insurance. In defining the unemployed, I think you have to define it so that youth 16 and over can be served.

Because this is only a quick-fix, short-term legislation, we would ask that you limit the lengths of enrollment and tie appropriations to unemployment to underscore the temporary emergency nature of this measure, and hopefully people would go on to more permanent employment in the years to come or months to come.

I agree with Congressman Jeffords that we need to maximize the dollar to the wage earner, that we don't use the money for materials, that we don't use the money for administration, and that we use the money to provide a wage for that person's services.

I heard a comment, and that comment was, "We will have to build new bridges, we are going to build a lot of new roads, and we are going to build new buildings." There are enough problems with existing public buildings that we don't have to build one building, one new road, one new bridge. We can repair the bridges we currently have. We have a number of bridges in Arizona that we could have people just to maintain and repair them. We have a number of public buildings that we could repaint them and restore them. Somebody made a reference to parks and school grounds. We have equipment that could be replaced or, if not replaced, at least rehabilitated. So we need to maximize the money so that it goes into the person's pocket. We need to create the jobs that are productive.

Also, we agree that a wide range of job opportunities be provided, because you have a whole spectrum of skills. You just have the unskilled unemployed, you have people with skills unemployed, and there are not any jobs for them right now. So you have a whole spectrum. So the job opportunities ought to vary.

You should permit revitalization of the community services facilities for the young, the handicapped, the elderly, the poor, the sick, the hungry, and the homeless.

I think and I believe that if you allow the local elected official to make many of the decisions in how the programs are going to be tailored to the need of the community, you will be more effective. If you try to regulate every program, if you try to regulate every activity, some of the needs of Phoenix will not be met, some of the needs of Los Angeles will not be met, and some of the needs of the Northeast will not be met. But if you allow us, as local officials, to define the needs and tailor the program to meet those needs, I think that would be more effective. I believe that we need to balance the needs of the infrastructure along with the needs of basic human services.

As part of the presentation, we talked about some concerns we have on the legislation H.R. 1036 as it exists. We have seen that there is a need to couple activities with the Job Training Partnership Act of 1982. There are several ways of doing this. We can provide the funds from this legislation directly to service delivery areas identified under the act of 1982. We can also give priority for jobs to those who have completed just the training.

I think also there should be some flexibility that would allow us coupled activities so that people in training—just the training—could work part time or full time in a training-related job and still have some wages.

Also, I think we need to have the flexibility that would allow us to match these funds to those funds provided by private employers involved in on-the-job training under JTPA.

A second concern we have is the whole idea of flexibility. Where are the jobs going to be? Are we going to limit them to the public sector? Could we use them in the private sector? Could we used them with community-based organizations or with voluntary agencies? I think we need that flexibility. We need along with that flexibility the authority for implementation and the tailoring of the program should be with the local elected officials. The same thing with activities, because the list of activities—they are listed such as is that going to be the cap or is that just the suggested list that we can be in with and let the local elected official implement?

I have another concern in one of the areas, and that deals with limitation. You say that an agency will be limited to 5-percent job creation. In some cases, that is a good limitation. But there may be some circumstances in which we could provide a service, provide employment, that would be short term and be funded totally by these funds. So we should have that flexibility.

Also, you have a problem, if you are going to insist that we do intrastructure activities, one of the big problems is going to be materials, because materials are very expensive and you put a limitation of 25 percent. We feel that there is a need for a limitation, but a 70-30 range would be better.

Also, we have with us that problem of maintenance of effort. We have seen that language before and, as you well know, at the local level we are also having to cut back on budgets. We are also having to freeze budgets, and so forth. The language of maintenance of effort might cause us some problems—is job creation allowable under this cause?

In building, we have the problem with bidding. In California, it is called the force account; in Washington, it is called the bid limit. So somehow we have to ensure that we allow local jurisdictions to participate and, at the same time, we are able to conform to State law.

You are provided the list of some of the opportunities that we could provide in Maricopa County and could be provided in many other States and other counties. I told you about the repair of roads, the repair of public buildings. We need to have an opportunity to repair some of our water systems. We could use teaching in flood control.

[The prepared statement of Ed Pastor follows:]

PREPARED STATEMENT OF ED PASTOR, SUPERVISOR, MARICOPA COUNTY, ARIZ., ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES

Mr. Chairman, members of the subcommittee, my name is Ed Pastor, supervisor of Maricopa County, Arizona. I am vice-chair of the employment steering committee of the National Association of Counties. I am accompanied today by Patricia Craig, director of the human services department of the National Association of Counties.

Thank you for inviting us to appear before you today. We are here in support of job creation legislation.

We have heard a lot recently about jobs for the unemployed. We have seen funds appropriated. But the funds do not seem to have anything to do with jobs or with the unemployed. Not that the funds are not important. We do need to repair our nation's highways and bridges. And we do need to provide emergency food and shelter for the hungry and homeless. But we also need jobs. We need them now, not a year from now. And those who need the most are those who have been out of work the longest. In my State we have an unemployment rate over ten percent. That means 140,000 people are out of work. 68,000 of those people live in my county. The number grows everyday as people from the Northeast and Midwest come to the Sunbelt States looking for work.

We know that several job creation bills have been introduced by subcommittee members. But we have not had an opportunity to review them all. NACo does have policies supporting certain principles that we believe should be contained in any job creation legislation.

The "Community Renewal Employment Act," H.R. 1036, embodies several principles we endorse. We recommend strongly that these be included in any final bill emanating from this subcommittee. Such a bill should—

Guarantee a quick start, using local government as service deliverers with experience in employment programs, a proven track record, and accountability for public funds;

Provide for the equitable distribution of Federal funds to units of general local government, based on local needs factors;

Target funds to communities hardest hit by unexployment, such that all areas are eligible, but the funds increase in proportion to the severity of the problem;

Restrict hiring to the long-term unemployed with priority for those who have exhausted or are ineligible for unemployment insurance—defining long-term unemployed so that youth sixteen and over can be served;

Limit the length of enrollment and tie appropriations to unemployment to underscore the temporary, emergency nature of this measure;

Maximize Federal dollars for job creation to ensure that, for the dollars spent, the greatest number of individuals can be hired and the predominant share of funds goes for wages rather than materials;

Pay people for productive work, not enforced idleness;

Provide a wide range of job opportunities, thus facilitating the best possible match between the skills of the unemployed and the work to be done;

Permit the revitalization of community services and facilities for the young, the handicapped, the elderly, the poor, the sick, the hungry and the homeless;

Permit flexibility at the local level to tailor the program to the needs of the community, selecting from a wide range of allowable activities; and

Balance the needs for infrastructure repair with the needs for basic human services.

OUR CONCERNS

We have a number of concerns that H.R. 1036 does not address in its current form:

First we would like to forge a link between the jobs training partnership act of 1982 (JTPA) and any job creation bill. There are several ways to do this.

(1) Provide funds directly to "service delivery areas" identified under JTPA.

(2) Give priority for jobs to those who have completed JTPA training.

(3) Allow "coupled" activities, so those in JTPA training could work part or full time in a training-related job and earn a living wage.

(4) Consider permitting wages under this new bill to match those provided by private employers involved in on-the-job training under JTPA.

Second, we are interested in maximum flexibility allowing choices to be made by elected officials at the local level. Rather than Federal mandates, local officials should resolve questions like: are jobs only in the public sector? Also in the private sector? What about entrepreneurship? What about non-profits? What about voluntary agencies?

Our third concern also deals with the need to allow us the flexibility to determine what would be alled. We can think of activities which are not listed. For example, those which contribute to economic development.

Our fourth concern also involves flexibility. The bill limits additional jobs to five percent of current jobs in any agency. This adds more workers to already large agencies. This is not a problem for public works, police or hospitals. But where one person handles a suicide hot line, we may need three, where ten people staff a food distribution center, we could use twenty. Elsewhere we would like to set up a day care program where none existed previously.

Fifth is a question of dollars allowed for infrastructure repair, a top priority for many local governments. Materials are costly. The bill limits cost to 25 percent. Although some limitation is necessary, we suggest a more balanced 30 percent. This leaves 70 percent for wages and benefits. A 70-30 split has received administration support: albeit in another context.

Our sixth concern also deals with dollars. We have not seen an analysis of the flow of funds by State or locality using the formula described in H.R. 1036. Such an analysis would be of interest to us. Other options might also be considered, such as the distribution of funds based on an average unemployment rate of nine percent over the three or six highest consecutive months within a twelve month period.

Past experience with Federal job programs also advises caution in two other areas. So-called "maintenance of effort" language needs to be worded very carefully. Many jurisdictions are now involved in Government-wide hiring or budgetary freezes. Is job creation in these jurisdictions allowable under the bill's current "maintenance of effort" language? We consider local government participation in the job creation effort essential.

Another possible problem is conformity with State law. State law often requires bidding on construction work. In California this is called "force account." In Washington it is called "bid limit." Given the extent of infrastructure repair envisioned under this bill, this issue is critical. We need to ensure the participation of all eligible jurisdictions while simultaneously conforming to State laws.

We will be glad to provide more information on our areas of concern. We will commit our organization's time and staff resources to furnish any additional assistance needed as you develop this legislation.

JOBS TO BE DONE

Now I have highlighted our association's views on job creation, and what our concerns are, let me describe what we would do in Maricopa County if we had funds under this bill.

This is the rainy season in Arizona. Because there is so little ground cover, when the rains come, we get serious flooding, especially along the Sal River Valley. We need to rechannel the river, clear away debris, build and repair bridges spanning the river bed.

Although you may think of weatherization as important only in the cold, northern areas of this country, we too have our weatherization needs. When the sun goes down in the desert, the cold sets in fast. But our worst problem is the sun and the heat. Most summer days the temperature is over 100°. Air conditioning is expensive and not fuel efficient. Too many of our elderly and poor lack air conditioning. Their homes need insulation, weatherstripping, caulking, etc., to keep out the cold in the winter and the heat in the summer.

The same weather that brings us a season of flooding followed by a season of intense heat causes havoc with our roads. We need to repage roads with asphalt and fill potholes. This is not glamorous work, but it is essential. We have a mobile populaton, one which commutes long distances too and from work eash day. Our roads are essential to the economic livelihood of our residents.

Many of our school buildings, especially in poorer neighborhoods, are deteriorating and need replastering, painting, renovation and repairs. Playgrounds need improvements as well.

For soil conservation, flood control, community beautification, and economic development purposes, we need to plant ground cover and landscape areas along river banks, roadways, in residential and commercial districts. Where it has not been possible to use public funds to improve private land directly, it has sometimes been possible to establish "landscape banks" to provide a low interest, revolving loan fund for improvements on private land which benefit the entire community.

With priority donated and Government surplus food, we have set up a food distribution center which could be expanded. We would also like to encourage self suficiency by teaching low-income residents how to can their own food and how to organize a cooperative.

There is more we would like to do. the National Association of Counties would be glad to furnish the subcommittee with a list of jobs which county governments consider top priority and which could be filled by the long-term unemployed.

In closing, let me add that we welcome any opportunity to work with subcommittee members further on job creation efforts. We appreciate the opportunity to appear before this subcommittee hearing. We look furward to answering your questions.

Mr. Jeffords. Excuse me. We are, obviously, in a terrible dilemma right now. The vote is coming up on the jobs bill. This is on the rule, which, in my own estimation, I hope we defeat so we can have some other alternatives. Then we are going right into general debate. I know that the chairman is aware of that. I would just suggest that I can come back. Hopefully those witnesses who are following this—and I realize how bad it is when you are at the end of the list—if they could really try to keep their statements concise so that we could hear that and then go over and try to do something to help the unemployed.

Mr. Pastor. I am ready for questions.

Mr. Hawkins. Do you have any questions?

Mr. Jeffords. I don't believe so, Mr. Chairman.

Mr. Hawkins. We have a problem, Supervisor. As Mr. Jeffords said, we are voting on the previous question. We could declare a recess and come back. However, that may take 15 to 20 minutes.

Mr. Pastor. At your pleasure, Mr. Chairman.

Mr. Hawkins. We hate to keep you. I know there are some questions. I wonder if we could submit them to you in writing and ask you to respond and thereby accommodate you. We hate to keep you waiting around for that length of time for questions.

The committee will reconvene, but your time schedule may not permit you.

Mr. Pastor. Mr. Chairman, whatever you wish, I will be more than happy to do because I share the same concern that you have.

Mr. Hawkins. When we come back, we will have the Facilities and Services Panel.

Mr. Pastor. I want to thank you for the opportunity to testify.

Mr. Hawkins. Thank you.

Mr. Pastor. I hope that from the recovery of our economy, we have a bill that will really be a jobs bill.

Mr. Hawkins. We hope so. Thank you.

Mr. Jeffords. That was excellent testimony. You have a good reputation in your county, and I appreciate hearing from you.

Mr. Pastor. Thank you very much.

Mr. Hawkins. The committee will stand in recess for 10 minutes.

[Recess.]

Mr. Jeffords [presiding]. Because of the fact that we want to give everyone the maximum amount of time, I will proceed, with the permission of the chairman, so that we may hear the witnesses. I have to leave sometime in the not too distant future to participate in the general debate on the House floor on this so-called jobs bill, and I know that the chairman will be doing the same thing.

If the next witnesses would come forward, we will proceed with the hearing.

I am sorry that this is a somewhat disruptive type of situation.

Dr. Leonard Britton, superintendent of the Dade County Public Schools, is with us; and Ms. Helen Blank, Children's Defense Fund, Washington, D.C.; as well as Ms. Margaret Morgan-Hubbard, director of jobs and energy, Washington, D.C.; and Mr. Hal Wilson, vice chairman of the Rural Coalition, Washington, D.C.

Would you please identify yourself and go right ahead.

STATEMENT OF LEONARD BRITTON, SUPERINTENDENT, DADE COUNTY PUBLIC SCHOOLS, MIAMI, FLA.

Mr. Britton. I am Leonard Britton, superintendent of schools, Dade County, Fla. Mr. Jeffords, I am very pleased to be asked to be here this morning to be able to discuss with you and the members of the Employment Opportunities Subcommittee some of the interests from the public schools' point of view with regard to the bill that is being considered at the present, the Community Renewal Employment Act, H.R. 1036.

I have a statement which I have already submitted. I am not going to read it.

I have also been asked this morning for, and have submitted to Ms. McGuire, a supplemental statement. It is a joint report that is being prepared by the American Association of School Administrators, Council of Great City Schools, and the National School Boards Association, called "The Maintenance Gap: Deferred Repair and Renovation in the Nation's Elementary and Secondary Schools."

I think it is very important that Congress has moved ahead with an urgent supplemental jobs bill which is under consideration at the present time. Parenthetically, we are trying to work simultaneously to see if there is any possibility at the present time that, within the discussion of the jobs bill, the clarification is made that public schools are eligible for those fundings.

That same type of statement I am making with reference to the jobs bill I will elaborate within the context of this bill, and perhaps you will see my point.

Also, I would like to call the chairman's attention—and the rest of the committee—to H.R. 1720, which is the Emergency Educational Facilities Repair and Renovation for Job Act, which had been introduced earlier this year by Congressman Dale Kildee of Michigan, which should support elementary, secondary and public school education. All of these are very important to us.

One of the factors here is the understanding on the part of Congress that public facilities, public schools and municipal agencies, often are different entities. Eighty-six percent of the school districts in the United States, which include Dade County, for example, are independent taxing authorities. While various bill provisions are provided at different times, such as within the Job Act and others, which talk of public facilities, the way this has been interpreted in the past, they are talking about municipal agencies, such as municipal government, metro government, city government agencies, and not public schools.

I think it is very critical that Congress understands that, as I say, 86 percent of the public school systems are independent taxing agencies and do not benefit directly from such acts as we have been talking at the present time. That is why I am hoping for clarification of the language even within existing job bills. The public schools are eligible, and I would hope that the subsequent bills that are considered would specifically state public school agencies.

There has been the Public Works Act. As you know, there was a first round, and we didn't receive anything. The second round, we really had to twist the arms of our metropolitan Dade government and they finally did out of that receive about $1,200,200 which did go toward one elementary school.

But we would hope that, in the future—take a school system such as Dade County, the fourth largest school system in the United States. We have over 270-some school sites which have—if you count them independently—over 2,000 separate buildings, each of them needing some type of activity.

At the moment, Dade County Public Schools—and I will not read the whole list to you—has a list of capital outlay needs totaling over $772 million. As each year goes by, this list increases. The statement which has already been submitted shows how this is broken down—about half of it for new construction, and about half of that amount of money, over $350 million, is for renovations, maintenance, repairs, updating everything from roof construction to improvement of science laboratories and improvement of libraries, major and minor renovation types of facilities. It is a rather substantial amount of money.

We tried to get money from the local taxpayers over the last several years for this purpose, but that is difficult. We have had to ask them for money for the operating budget rather than for the renovation, repairs and new buildings, job related type of activities.

I could go through in detail the extensive needs that we have out of this $772 million, everything from removing hazardous asbestos that the Federal Government is concerned about and our State was concerned about—we went ahead on our own, even though there was no funding from the Federal level or the State level to do this. We have done this on our own and removed hazardous asbestos material. We have many, many safety to live requirements that need to be taken care of, school security, et cetera, which I could go on about in great detail. Handicapped students, requirements under 504. At the moment, we are putting in about $2.2 million. I got a list that, by tomorrow morning, if I had $32.5 million, it could be put right into action to provide jobs and facilities for children.

About $185 million is for new construction. I could go on with specifics about renovations, repair, and maintenance of about $365 million.

The resources are very limited to us. We have at the moment a $142 million capital outlay program. Only about 18 percent of our needs are being met at the very moment. The rest of the money, we are having to try to find somewhere else.

If the Federal funds could be made available through either the job bill or the bill we are talking about here or other types of support of this nature, the Dade County Public Schools is ready within 60 days to put on the drawing board, ready to start bidding out, ready to go for elementary schools, and then we have a junior high school and a series of what we call—forgive the expression—"six packs." It is a term we have developed for the six-room additions to our buildings which are ready to go at a moment's notice.

These jobs—for example, take the four elementary schools—could provide $24 million worth of infusion into our local economy, 400 workers could be employed for anywhere between 12 and 18 months. We also have some maintenance items, about $3 to $5 million, which we are trying to put out right now in the way of painting, reroofing, floor replacement, ready to go within 60 to 90 days. These could provide between 200 to 300 jobs for people for a period of 12 months.

All our construction projects are very labor intensive. The total spectrum of this is—we are talking from the highly skilled to the labor who assist in this. We find it very interesting as we have analyzed the working group, the people who have been involved with our activities, about 50 percent of those who have been involved in the activities are of the minorities. Interestingly enough, many of these are women, who are finding increasing opportunities in construction and related fields, such as architecture, to actually operating machinery and even to portions of the construction aspect.

Dade County has an unemployment rate of almost 11 percent. What we are hoping for is to be able to assist the economic vitality of our community through the public school system to be able to find funding for the kinds of jobs that people need.

So, in reviewing the proposed jobs legislation of various types, we are respectfully requesting that you consider, No. 1, that legislation should appropriate funds specifically for public school projects. It should state public school projects, not just public buildings, because this has been interpreted consistently, over and over again, as municipal government buildings.

No. 2, legislation should not limit capital outlay expenditures to only federally required improvements since school boards have already committed local tax dollars toward this.

No. 3, that legislation permits general repair, maintenance and renovation projects.

No. 4, that legislation permit new construction so that school boards may channel funds toward other needs.

And No. 5, that legislation provide a proper balance and benefits between elementary, secondary, and adult education. A big emphasis in Dade County is the adult illiteracy and trying to get them ready for job placement.

By appropriating funds via public school districts to meet what I term high priority construction and renovation needs, I believe the Congress can do two things—improve the environment for education for children and teachers but, in additon, create hundreds of quickly available jobs nationwide. I have already outlined in a minor part what could be done in Dade County. I believe these twin benefits would be an outstanding contribution to the welfare and progress of our country.

In closing, let me assure you that Dade County Public Schools will continue its efforts to provide a safe environment that is conducive to learning for teachers within our physical limitations, and that any funds that become available through a jobs program will be used for high priority projects that produce a maximum number of employment opportunities.

As I say, Mr. Chairman and members of the committee, our statement outlines in some detail our needs, both for new, renovation and maintenance projects.

[The prepared statement of Leonard Britton follows:]

PREPARED STATEMENT OF LEONARD BRITTON, SUPERINTENDENT OF SCHOOLS, DADE COUNTY PUBLIC SCHOOLS, MIAMI, FLA.

Chairman Hawkins, members of the Employment Opportunities Subcommittee,

I understand that Congress has moved ahead with an urgent Supplemental Jobs Bill (H. R. 1718, Emergency Supplemental Appropriation for FY 83); however, this bill as it stands does not adequately address the needs of public schools. Therefore, I consider it essential to be here to speak in support of your proposed Community Renewal Employment Act and urge that public school capital outlay projects be included within the scope of that legislation.

As Superintendent of Dade County Public Schools, the fourth largest school district in the United States, I appreciate the opportunity to be here to speak in behalf of the needs of public education. The Dade County Public Schools has a student membership exceeding 220,000, which is about 39% Hispanic, 31% black non-Hispanic, 29% white non-Hispanic and 1% other. These students are housed in 175 elementary schools, 46 junior high schools, 24 senior high schools, and 6 special learning centers which must be maintained, repaired, and replaced as needed.

Eighty-six percent of the school districts in the United States, including Dade County Public Schools and the other school districts of Florida, are independent taxing and spending authorities. Many of these school districts have not benefited from the passage of previous public works bills. Because they are not a part of their local city governments, they generally do not receive benefits from community development block grants and similar funds which go to cities. Public school needs have not been strongly considered in the priorities of the primary service agencies.

As an example, during the first cycle of funding under the last public works bill, Metropolitan Dade County received approximately $18 million. The Dade County school district, with all its educational construction needs, received no funding in that cycle. Only after persistent efforts and documentation that school board needs be addressed did we receive $1.2 million during the second cycle. Therefore, it is essential that funds be set aside specifically for school board projects. This is justified by the fact that the size and number of facilities under school board control often exceeds the holdings of most recognized local government units. The Dade County Public Schools district, for instance, has 2,010 buildings, according to State of Florida records.

The members of this committee are familiar with taxpayer revolts that have plagued public institutions for a number of years. Historically, voters nationwide have been reluctant to approve School Board bond issues for capital outlay needs. The political climate in Dade County has been such that the School Board has not attempted to secure approval of a general obligation bond for more than twelve years, but instead has levied the maximum operating budget levies permitted by state laws. State and local support for general education has fluctuated over the years, and when operating funds for education fall short of needs, capital outlay and maintenance projects most often are postponed, causing districts to fall farther and farther behind in their maintenance and renovation schedules. As a result, not only Dade County Public Schools but school districts throughout the nation face staggering capital outlay needs.

Dade County's list of capital outlay needs currently totals $772,130,000. This figure grows larger each year as changes and improvements are required by state or federal legislation without corresponding appropriations. For instance, Dade County Public Schools has spent $4 million of its own capital funds to identify and remove hazardous asbestos materials.

Included in Dade County's needs is $25.5 million for safety-to-life, health and sanitation corrections. This includes completion of asbestos removal from non-student-occupied areas, fire and smoke detection systems, improvements in food preparation areas and renovation of restroom facilities.

Another $10.65 million is needed for school security. Census figures show that the City of Miami, one of the 27 cities serviced by the Dade County Public Schools, ranks sixth in the nation as to poverty level. This contributes to theft and vandalism, especially in the inner city where unemployment is rampant. In the Liberty City area alone, which was the target of civil unrest in 1980, there are eighteen schools which are constantly in need of repairs because of vandalism or are in need of modifications to protect equipment and supplies necessary to provide a quality education for the students who reside there. Approximately $1.3 million already has been expended on inner city schools by Dade County Public Schools to minimize vandalism. This constitutes a major capital outlay effort in providing screening, steel doors, outside lighting, and security alarm and communications systems. Federal capital improvement funds for Dade County Public Schools would not only help to secure inner city and other schools but would also create much needed jobs.

Renovations for compliance with requirements for facility accessibility for handicapped students has been completed in 15 schools at a cost of approximately $2.2 million. Completing the task of providing ramps, elevators, water fountains and restrooms that are accessible to handicapped students, as required by Sec. 504 of the Vocational Rehabilitation Act, will require another $32.5 million.

Almost $185,000,000 is needed for new construction, including site purchase and equipment. Included within this amount, Dade County needs six elementary schools, three junior high schools, and one senior high school. Additionally, $16 million is needed to replace four portable schools with permanent structures.

With respect to major renovations, $101,050,000 is needed to meet program requirements for science, music, art, and other special courses while approximately $25 million is needed to renovate and remodel vocational education facilities.

Within the system, maintenance, repair, minor renovation projects, and replacement of equipment require $364.65 million, and replacement of school buses requires $11.8 million. These items comprise more than half of the capital outlay funds needed. They are not specifically required by law but are the needs most often identified by patrons of the schools and most easily observed by those who use and visit the schools.

With a capital outlay needs list exceeding $772 million, what are the resources the Dade County Public Schools can apply toward these needs? During the past three years, progress has been made in funding capital projects because of the local millage option levied by the School Board. This levy has generated between $45 and $65 million per year. However, this option to levy the millage for capital purposes is dependent upon the State Legislature continuing enabling enactments.

The Dade County Public School system has spent local tax funds on federally mandated improvements, and did so because the need was there. In this spirit we urge that legislation to create jobs by providing capital outlay funds to public school districts be so written as to enable local school districts to proceed to meet their own identified priority capital outlay needs.

If federal funds were to become available, Dade County Public Schools would have four elementary schools ready for bid within sixty days. Plans have been developed and as soon as funds are available, bids can be solicited. The construction of these schools involves approximately $24 million with a work force of approximately 400 workers employed for 12 to 18 months. In addition, $3 to $5 million can be immediately expended through delayed maintenance items. Contracts for such projects as painting, reroofing and floor replacement can be awarded in sixty to ninety days, providing employment for an additional 200 to 300 people over a twelve- month period.

All construction contracts are very labor intensive. The total spectrum of the labor force is utilized, from laborers to highly skilled technicians. It is estimated that in Dade County 50% or more of the workers would represent minorities, among which are women who are finding increasing opportunities in construction and related fields. The need for additional job opportunities in Dade County is documented by the fact that as of January, 1983, Dade County suffered an unemployment rate of 10.9% out of a total labor force of 843,395. Funding of needed school board capital outlay projects would quickly provide jobs for some of the 92,326 people who are currently unemployed in Dade County.

In reviewing proposed jobs legislation, we respectfully request your consideration of the following provisions:

1. The legislation should appropriate funds specifically for public school projects.

2. The legislation should not limit capital outlay expenditures to only federally required improvements, since school boards have already committed local tax dollars toward these improvements.

3. The legislation should permit general repair, maintenance, and renovation projects.

4. The legislation should permit new construction so that school boards may channel funds toward highest priority needs.

5. The legislation should provide a proper balance of benefits between elementary/secondary/and adult education facilities.

By appropriating funds to be used by public school districts to meet high priority construction and renovation needs, the Congress will be making a dramatic improvement in the educational environment of students throughout the country, in addition to creating hundreds of thousands of quickly available jobs. These twin benefits would be an outstanding contribution to the welfare and future progress of our country.

In closing, let me assure you that the Dade County Public Schools will continue its efforts to provide a safe environment that is conducive to learning for its students and teachers, within fiscal limitations, and that any funds which may become available through a jobs program will be used for high priority projects that produce a maximum number of employment opportunities.

I thank you for your attention and encourage you to look upon the contents of this document as justifiable reasons for positive action by Congress with regard to H. R. 1036, the Community Renewal Employment Act.

1982-83

DADE COUNTY PUBLIC SCHOOLS

CAPITAL OUTLAY NEEDS

Correction of Safety to Life, Health and Sanitation	$ 25,500,000	$ 25,500,000
Provide for Security	10,650,000	10,650,000
Accessibility for Handicapped	32,500,000	32,500,000
New Construction	106,000,000	
Purchase of Sites	52,630,000	
Purchase of New Equipment	26,350,000	184,980,000
Replace 4 Portable Schools	16,000,000	16,000,000
Major Renovations for Program Requirements	76,550,000	
Renovation of Art and Music Rooms	24,500,000	101,050,000
Renovation of Vocational Education Facilities	25,000,000	25,000,000
Maintenance and Minor Renovation Requirements	226,000,000	
Repair or Replace Old Portables	1,200,000	
Replacement of Equipment	72,630,000	
Ancillary Facilities	24,000,000	
Renovation and Air Conditioning	35,650,000	
Air Conditioning of Exceptional Education Spaces	5,170,000	364,650,000
Replace Busses	11,800,000	11,800,000
GRAND TOTAL		$ 772,130,000

The Maintenance Gap: Deferred Repair and Renovation in the nation's Elementary and Secondary Schools.

January 1983

A Joint Report by the

American Association of School Administrators
Council of Great City Schools
National School Boards Association
(Listed alphabetically)

The Maintenance Gap: Deferred Repair and Renovation in the nation's elementary and secondary schools

The nation's educational infrastructure is in a state of critical disrepair. Building experts estimate that schools are deteriorating at a far faster rate than they can be repaired, and faster than most other public facilities. Plumbing, electrical wiring, and heating systems in many schools are dangerously out-of-date; roofing is below code in thousands of schools; and school-operated transit systems are judged by some to be unsafe. The accumulated cost to repair the nation's public elementary and secondary schools can now be conservatively placed at approximately $25 billion.[1] The purpose of this report is to bring to light a critical part of the public infrastructure problem, the deterioration of America's school buildings.

The data for the report come from 100 school systems across the country, including the major inner-city districts, suburban and rural districts. The problem reported is evident in every type of district although it is more critical in some districts than in others.

Many children and teaching staff are experiencing increasing disruptions in class routine as heating facilities, lighting, and buses break down. Dangerous levels of asbestos continue to exist in many schools; barriers to handicapped youngsters remain. The result has been not only reduced efficiency and productivity, but a deteriorated sense of confidence among the public in our education facilities. Worn-out, shabby and unsafe facilities create impressions of the educational capabilities of the schools. When the public feels uncertain about the schools educational capability it is difficult to convince the public to vote the taxes required to maintain the schools.

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[1] This is a current dollar figure.

School Districts: the largest unit of Local Government

The condition of the nation's public schools has received almost no serious consideration. This lack of attention is surprising when one considers that elementary and secondary education is the principal activity of 20% of the nation's population: 41 million public school students, 2.4 million teachers, and 300,000 administrators. In addition, the 16,000 school districts nationwide will spend approximately 7% of the Gross National Product (GNP) in FY 1983 -- over $100 billion -- to teach children to read and write. In fact, several school systems (e.g. New York City, Los Angeles, and Chicago) have larger annual budgets than some states.

Education forms the largest single public enterprise in most communities, with schools hiring a larger number and wider variety of workers and maintaining a greater number of buildings than any other public institution.[2] The idealized image of the one-room school is no longer an accurate portrayal of our educational establishment. The school infrastructure problem is of a magnitude equal to or exceeding all other government facilities.

Reasons for Maintenance Gap

The physical deterioration of the public schools is the result of a wide variety of factors. Like many public facilities, the schools were hit hard in the 1970's by the rapid increase in energy prices. Most schools, particularly in the older eastern communities, continue to be heated with fuel oil that has escalated in market price and is required in greater quantity in older buildings. The Chicago district, for example, saw its electrical costs increase by 494% between 1972 and 1980 and its natural gas costs rise by 196% over the same period. The proportion of funding devoted to increasing fuel costs has robbed schools of monies needed to update boilers or change to cheaper forms of heating. The problem is further compounded for schools that often require higher temperatures for very young children.

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[2] Nationwide in 1980 were 4,278,000 local school employees and 3,663,000 local government employees. Source: Table 508, Statistical Abstract of the United States - 1981, U.S. Department of Commerce, Bureau of the Census.

Public schools have also been severely hit by recent state tax and expenditure limitation measures, now enacted in 29 states since 1977. Pressures to reduce funding because of revenue limitations have normally resulted in sharper cuts to structural maintenance and capital outlays than to essential functions like instruction. In many cases the only remaining options for meeting repairs involve special levies or bonds. Levies are rejected by local voters in ever increasing numbers, and the new registered bond requirement in the 1982 Tax Act is expected to increase interest rates for school bonds issued to cover maintenance and capital expenses.

A third major reason for the physical deterioration of many public schools involves the age of the buildings, especially those found in the older cities. Nearly 20% of the schools in the older industrial cities were built before 1920, and a large number constructed before 1900 are still in use. In Chicago for instance, 100 of that city's 585 schools

(17.1%) were built before 1900, and many of these were constructed immediately following the Chicago fire of the 1870's. Electrical and plumbing facilities are literally falling apart in many of these buildings.

In addition to these factors, school buildings are also subject to inordinately high levels of wear and tear, vandalism, and other security problems. With the exception of public transportation systems, schools are open for public use for longer hours each day, a practice that puts a greater strain on the physical plant. Schools also service a younger population more often involved in property destruction and theft. Los Angeles Schools, for instance, reported 91 fires costing the system $1.2 million in the 1981-1982 school year and 40,000 broken windows costing $1 million. Vandalism and burglary of school property tend to be slightly more prominent in the suburbs where the value and quality of equipment is higher, but the phenomenon is universal.[3] The result is not only higher costs and more frequent repairs but a drain on school system budgets for needed security measures.

Another factor for school infrastructure needs involves population changes and cutbacks in capital spending. Between 1950 and 1970 the number of school-aged children in the population grew 5.5%. This trend resulted in school construction and repair throughout the nation. The Morgan Guarantee Trust of New York estimates that spending on new educational buildings increased at an annual average rate of over 6% in that twenty year period, even though maintenance spending as a percentage of local school budgets decreased dramatically. Capital outlays in the major cities actually dropped 30% between 1970 and 1980. In this ten year period, the nation's public elementary and secondary school population dropped about 14% overall, and about 24% in the major cities. Annual spending on new school buildings increased by an average of only 1.4% a year over that ten year period, a rate lower than that spent on any other public facility except highways and bridges.

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[3] Safe School Study, National Institute of Education, 1977.

With the decline in enrollments, school construction and repairs essentially stopped by 1970. By 1990, education enrollment projections indicate that Nursery and Kindergarten enrollment will jump 33%. The cost of building and renovating additional space for this second generation baby boom will be added to the unpaid bill for deferred maintenance and capital outlays.

The final factor contributing to the enormous backlog of repair needs involves state and federal requirements to meet health and safety requirements. Section 504 of the Rehabilitation Act (P.L. 93-112) requires, for instance, that schools and other public buildings be made accessible to the physically handicapped, and is strictly enforced by the courts. The cost of an elevator between floors of an existing building will cost approximately $90,000 a piece. Three ramps for the handicapped to the Central Administration building cost the Philadelphia schools $250,000 when the city Art Commission ruled that the additions had to be architecturally compatible with nearby museums.

EPA requirements on asbestos removal and clean air regulations governing boilers are other areas where the federal government mandates that schools spend millions of dollars. At an estimated cost of $6.00/square foot to remove asbestos, the total cost in school districts with millions of square feet of interior space can be prohibitive. Despite the requirements imposed by federal law, no funding from Washington has ever been provided.

The number of facilities operated by the schools and the amount of floor space is normally quite large, and far in excess of any other type of public metropolitan institution. The Fairfax County, Virginia, schools, for example, operate 187 buildings with over 17 million square feet of space. The Portland schools have total floor space in excess of the city's downtown acreage.

The effort required to maintain these huge facilities is both large and varied. School maintenance typically requires attention to roofing, interior and exterior painting, electrical systems, carpentry, heating and air conditioning, mechanical repairs, paving and blacktopping, transportation systems, security, flooring, lighting, food service, plumbing, masonry, and a host of other areas. Buildings usually include regular classroom facilities, portable units, administration buildings, bus barns, laboratories, warehouses and other service buildings.

Findings

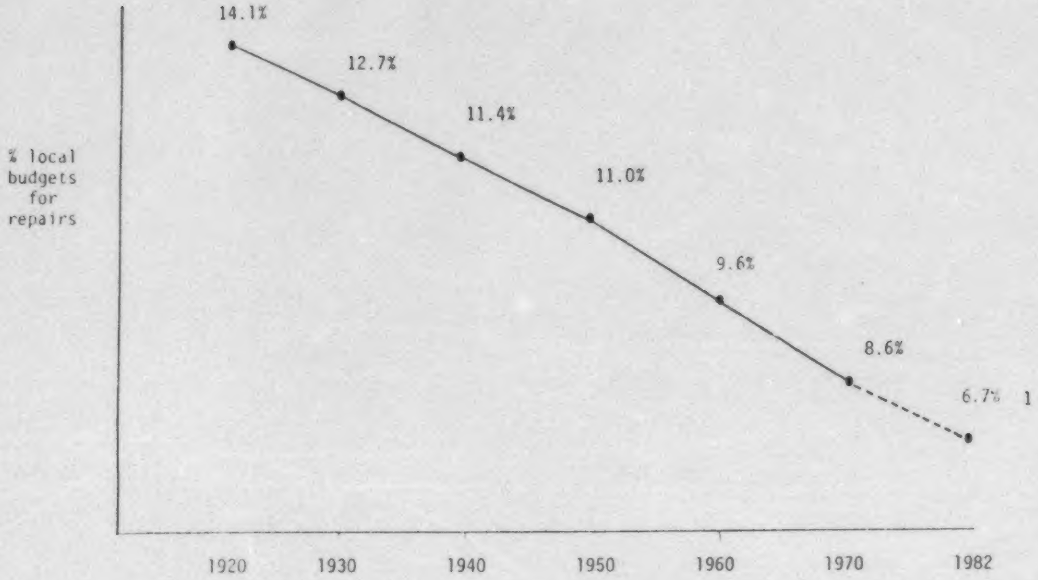
The 100 school systems that were surveyed for this report documented billions of dollars of accumulated deferred maintenance, capital improvements, and compliance with federal and state health and safety requirements. The districts range in size from New York City with an annual budget exceeding $3.2 billion and over 1000 facilities and Dade County (Miami) with over 2000 buildings to Elizabethtown, Tennessee, with annual expenditures of slightly under $5.0 million.

On average, the districts in this survey spend approximately 6.7% of their annual budgets on maintenance and capital improvements. This compares with 8.6% in 1970, 9.6% in 1960, and 14.1% in 1920 (see Table 1). To meet all maintenance and capital needs that have been deferred over the years, schools throughout the nation would be required to spend about 220% more on building improvements each year than they do now. The 100 districts in this survey now spend about $1.2 billion a year on maintenance and capital (excluding operational expenses for custodial salaries) but have accumulated a repair backlog of over $3.4 billion. (This backlog is based on estimations by the surveyed districts of documented deferred maintenance and capital improvement projects that have been identified and does not include the costs of new building needs, land acquisition, equipment replacement, furniture repair or transportation purchases). If all these identified accumulated maintenance needs are tallied for all 16,000 school districts across the nation, it is estimated that the total cost would be about 25 billion in current dollars.

The actual costs of deferring maintenance and renovation is difficult to compute. Costs not only escalate with inflation but the increased damage due to ignoring repair needs or energy loss increase costs geometrically. A roof that is unrepaired, for example, may allow water to damage other parts of a building and to cause additional energy loss.

The schools participating in this survey identified fourteen major areas in need of immediate repair (see Table 2). The most serious and frequently mentioned involved roof repair and replacement, followed by heating, ventilating and air conditioning repairs and replacement,

Table 1. Proportion of Local School Budgets Devoted to Maintenance 1920-1982



* Source: National Center for Education Statistics. Digest of Education Statistics, 1982.

[1] Estimate based on data in this survey.

interior remodeling and modernization, window replacement and electrical system needs.

The greatest need for repairs and replacements involves roofing, named by 71% of the surveyed districts. Roof upgrading and replacements are normally conducted on a 10-20 year cycle, with roof coating and major repairs needed every 3-5 years, and roof flashing every 5-10 years. Shingled roofs are normally in need of repair on a 12-15 year cycle. Because the greatest number of school building in the nation date to the 1950's and early 1960's, major roof repairs are now past due.

Compounding the problems with the newer buildings is that many were hurriedly constructed to accomodate the "baby boom" and were of modular construction, never intended to last more than 20 years. Virtually all construction in the 1950's and 1960's was marked by efforts to obtain the greatest amount of square footage for the lowest possible cost. The result was building with no long term serviceability in mind, and often with very little in the way of long-term quality. In contrast, the problem with older buildings involves not the quality of the construction, but the new building codes and the accumulated neglect.

One of the most costly repairs of the responding school districts concerns boiler repair and replacement. The age of many boilers is causing some of the problem, as many oil burners were actually converted from coal driven units and have never been replaced. In addition, new EPA clean air regulations have increased. Alterations in boilers to meet regulatory requirements are often incompatible with their original designs. Unfortunately the cost of switching boilers to meet the requlatory requirements and cheaper fuel sources is prohibitive and

Table 2. Repair and Maintenance Priorities for Surveyed Public Elementary and Secondary Schools

Priority	% of Schools in Sample
1. Roof repair and replacement	71%
2. Heating, ventilating, and air conditioning repair and replacement	27%
3. Interior modernization	23%
4. Window replacement	20%
5. Electrical systems	20%
6 Boiler repair and replacement	19%
7. Painting	17%
8. Paving	15%
9. Handicapped access	13%
10. Asbestos removal	11%
11. Insulating	9%
12. Plumbing	6%
13. New buildings	4%
14. Floor repairs	3%

outside of the capabilities of most financially hard-pressed school systems. Ideally, school districts should have the capacity to conserve fuel dollars by converting to two-way and three way boilers.

The third important group of problems of the surveyed districts involves meeting requirements for the handicapped (13%), new fire and safety codes (20%), and asbestos removal (11%). The EPA requires that all schools be assessed for asbestos by June 1, 1983, yet there is no appropriation to help offset costs. Compounding these requirements are new demands on schools to construct facilities for services that had in the past been provided by other community agencies. The districts included in this survey estimate that the total cost of meeting unmet federal and state health and safety requirements will amount to $575,966,799.

Other maintenance and repair priorities include:

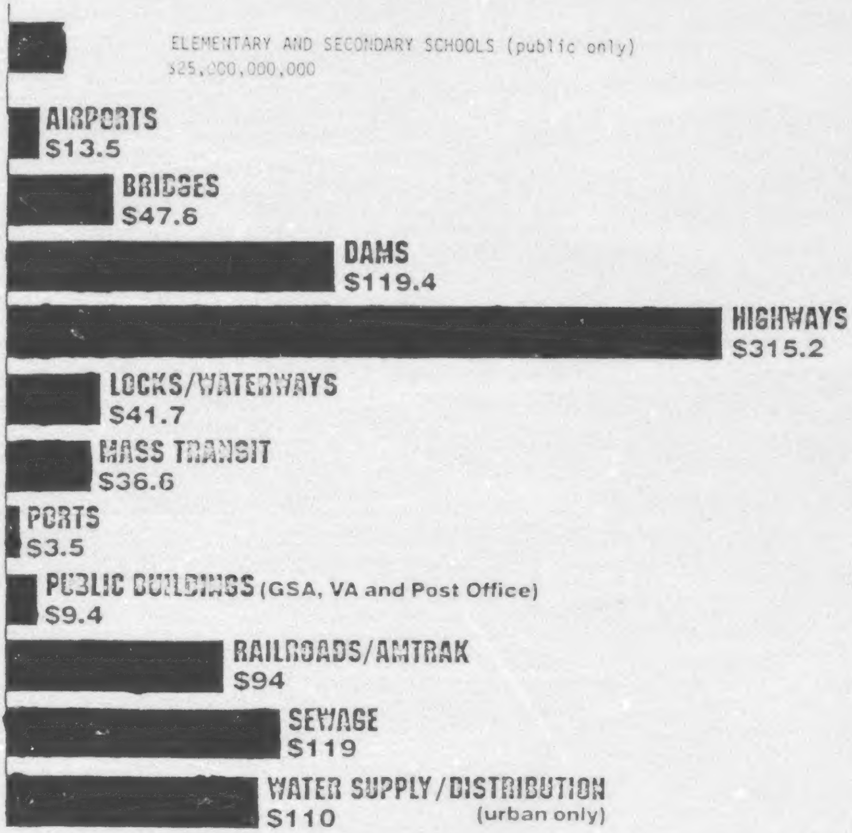
- Painting which is needed on exterior surfaces every 5-8 years and on interior surfaces every 6-10 years
- Replacement of floor tiles which is needed about every 20 years
- The repair and replacement of lighting fixtures. Lighting fixtures are vulnerable to vandalism. Some types of lighting have been suggested as the cause of increases in hyperactivity in some small children.
- The replacement of windows. This job is one of the most frequent and costliest routine building repairs.

Employment Opportunities in School Rennovation

The kinds of work required to meet these priorities involve a wide variety of jobs including roofers, carpenters, furniture repairmen, glazers, boiler repairmen, sheet metal workers, cement finishers, paving equipment operators, and other skilled and unskilled laborers.

Unlike the highway bill, however, school construction and repair needs are highest in the same areas where unemployment is highest, providing an ideal mesh between building needs and employment needs.

Table 3. National Public Construction Needs for Schools and Others *
(in billions)



* Data for all sectors excluding schools from: Associated General Contractors of America. Fractured Framework: Why America Must Rebuild, November, 1982

Summary

In comparison with other public sectors, the construction and repair needs of the nation's schools are of similar magnitude to those for bridges, mass transit systems, and locks/waterways. Table 3 shows the total national accumulated deferred maintenance needs for public elementary and secondary schools in comparison with other public sectors. Construction and repair needs for schools rank among the most serious in the nation.

Almost every school system in the country can point to deferred maintenance needs. For the most part, the needs listed for each school district can be documented on a school-by-school basis and have been sitting on the shelf awaiting funding. Because of the careful logging and the short time needed for the standard school bidding process, work on most of the building needs could begin immediately, or within 60-90 days.

Schools are under constant pressure to improve curriculum and instruction, which is their mission. The safety and operating efficiency of those schools are also essential to good education and to the confidence that the public has in this important institution. The data clearly show that schools throughout the nation, particularly those in the older inner cities, have deferred billions of dollars of repairs. The bill for postponing this maintenance has come due and will only increase with time.

Mr. **Jeffords**. Thank you very much.

We will withhold questions until all of the panel has had an opportunity to speak.

Ms. Blank.

STATEMENT OF HELEN BLANK, CHILDREN'S DEFENSE FUND, WASHINGTON, D.C.

Ms. **Blank**. Mr. Chairman, I am Helen Blank, director of child care and family support at the Children's Defense Fund. CDF is a national public charity created to provide a long-range and systematic voice on behalf of the Nation's children.

We have, as all of you have witnessed, the devasting effects of both unemployment and severely reduced funding of critical Federal support assistance for our Nation's children and families. We urge you, as you act on a jobs bill, to consider the rapidly shrinking resources for preventive programs that assure our children a chance to develop, grow and thrive.

A recognition that children and families are at the core of our infrastructure demands that a jobs bill include, at a minimum, funds for emergency assistance, including shelter and food, help for families to find permanent housing and necessary support services; employment opportunities that include positions in child care centers, hospitals, clinics and public schools; funds for child care to help insure that women, especially single heads of households, have the opportunity to take jobs and participate in training; and a health component to meet the health emergency faced by millions of uninsured families in this country.

Let me talk about the pressing demand that is being placed on the services that help to meet the emergency needs first.

Last January, the Children's Defense Fund, in collaboration with the Association of Junior Leagues, launched Child Watch to monitor the impact of Federal budget cuts on our Nation's children and families. Nearly 1,000 volunteers in over 100 communities have interviewed providers, hospitals administrators, social workers, Head Start directors, parents and others. They have represented over 10 national organizations.

Almost every single project has documented increased demand on local organizations providing emergency food and housing assistance, and a growing pressure on the child welfare system.

A report from the Birmingham, Ala.'s Child Watch coordinator is not unique. St. Andrews Parish had one soup kitchen in 1980-81, and it served 350 children. In 1983, they are projecting serving 5,000 children at three locations. Last week, the coordinator told me that they are contemplating opening a fourth center because they have so much demand.

The case of Mrs. Jones and her three preschool children is also typical of those seeking help across the country and illustrates the need to put more funds for jobs into protective services. Mrs. Jones applied for an emergency shelter after her unemployment benefits ran out and her gas and electricity were shut off. Her family stayed in the shelter for a while, and then they were asked to leave. Mrs. Jones was desperate. The Department of Public Assistance could not give her family an emergency check because they had no place to live, and no one at the shelter could take care of her children so that Mrs. Jones could go out to find housing.

When she finally came to the attention of a local child welfare agency, they gave the shelter extra money so the family could stay longer and the agency helped Mrs. Jones find child care so she could go search for a place to live. They helped her work out her problems with the department of public assistance. They also had to accompany her to a community mental health center to help her relieve her anxiety. Mrs. Jones' case was only 1 of 40 that this worker handled. The staff that works on these problems is already overloaded.

One of the things that concerns us is that financial pressures on families are contributing to increased reports of child neglect and more requests for foster care. A survey of child abuse specialists in all 50 States and the District of Columbia in the fall of 1982 reported that 39 States had seen an increase in reported cases of abuse in the past year, 15 said they were seeing more deaths due to abuse, 33 reported more serious abuse. Thirty-two States, despite these figures, reported cutbacks in staff dealing with the child abuse programs.

In Philadelphia alone, general protective service reports of children needing protective services in October of 1982 were doubled those of a year earlier. Fifty percent were due to economic factors, families with no heat, no food or place to live. Philadelphia had the help of a special State fund to help these families meet emergency needs. Even so, the 40 children placed in foster care in November, a relatively mild month in 1982, was twice the number placed in foster care in 1981. States do not have the funds to meet these services.

Kentucky is again typical. It reduced its human services field staff by over 20 percent for fiscal year 1982, severely restricting the services available to children. Since December, all title XX services in Louisville and Lexington have been closed to children of working parents because they are needed for protective services cases.

Some States have been able to cushion these cuts, but most tell us that additional cuts in Federal dollars or no new dollars will make it impossible to meet the increasing demand for emergency and protective services.

Second, we believe employment opportunities must include positions in child care centers, hospitals, clinics and public schools, in addition to jobs for repairing the Nation's physical infrastructure.

Budget cuts are forcing all these programs to lay off critical workers and denies services to children in low-income families. When public services jobs were eliminated under CETA, we lost 6,000 Head Start workers in addition to thousands and thousands of workers in child care programs. We also lost title I teaching aids, special education aides were dropped and security patrolmen in the urban schools.

We urge you, as the previous witness, to include funds targeted to helping the public schools. We support funding to go to deferred maintenance, to clean up hazardous asbestos and remove architectural barriers for handicapped children.

As Director of Child Care, I would like to talk to you some about the critical child care needs in this country. We don't have a Federal child care system, and the need is enormous. We believe that 6 million to 7 million children in this country may go without child care already for significant parts of the day while their parents work. We are extremely concerned that playgrounds are becoming our most frequent child care center; 8.5 million children under 6 have mothers working.

Mothers work because of economic necessity. Two-thirds of the women in the work force are the sole providers or have husbands who earn less than $15,000. Single parents have no choice, they have to work. The unemployment rate for single mothers with children under 6 is 18.9 percent.

The U.S. Commission on Civil Rights has documented that lack of affordable child care is a major factor in keeping women and children in poverty. We work with Utah Issues, a multi-issue advocacy group in Utah. They did a study of child care needs and 46 percent of the women interviewed said they would work if quality child care were available.

Let me tell you what happened 2 years ago. Title XX, the largest direct source of support for child care, was cut 20 percent. The child care food program which helped provide food to almost 1 million children, over 70 percent of whom are needy, was cut by nearly one-third. We lost the child care workers provided under CETA. We capped the disregard under AFDC allowed for child care.

What has happened? Many States have cut back training for child care support for mothers in training and low-income working mothers. When CDF surveyed 36 States, we found that 17 had cut back or eliminated child care for mothers in training. Forty-five districts in New York used to provide child care to low-income working parents not on AFDC. In 1 year, 12 of them eliminated this child care support.

In Delaware, a year and a half ago, 2,000 children were receiving title XX support. Delaware made a number of changes, and one of them was a $10 a week minimum fee for all parents, regardless of income. Nearly a year later, 50 percent of those children are gone from child care centers. Children in Delaware who need child care after school can't get it.

A child watch coordinator found a mother in a house without a door with a 2-year-old. How did the 2-year-old get cared for? The mother said, "I hope my neighbors care for him when I leave." I am afraid the story is all too familiar.

In Delaware there was another program for high school mothers. They had 56 children enrolled in 1980-81. Only 21 were there in 1982. Those mothers have dropped out of school. They are home again with their children.

Another thing that concerns us is that these terrible disruptions in the child care system is causing children to leave familiar care givers and circles of friends. Children from poor families who don't have a lot of support to begin with are being wrenched out of comfortable, secure, stable environments.

In West Virginia in 1981, 739 families lost child care. The Department of Social Services did a survey; 391 children of 565 that had responded had been switched, they had to move their child care arrangements. That concerns us. We think that is serious enough in itself. What concerns us more is at least 79 children were caring for themselves.

A Rhode Island child care center is in a public housing project. It had 22 children a year ago, and now it has 5. Where are the other children? A director reports seeing them on the playground. She talks about older brothers and systers caring for their younger siblings and staying home from school.

In Pittsburgh, a combination of cuts caused 10 percent of the children in that city to lose their child care. Where are the children? One mothers says, "I am leaving them with an unlicensed babysitter. I don't trust her as much." Another has been forced to place her children with her grandparents. But again we hear that many older children are taking care of their younger preschool brothers and sisters.

We feel it is absolutely essential for a jobs bill to provide funds for child care slots and, we hope, targeted slots for children in child care, not just jobs for child care workers. If possible, we would like to see title XX expanded in a jobs bill. Otherwise, women are not going to be able to work, or they are going to work at the expense of their children if they are desperate.

Finally, we believe it is essential that additional funds for the maternal and child health block grant be included in a jobs package at a minimum level of $800 million. This is the only public health program targeted on mothers and children, and funds for this cost-effective service would go primarily to low-paying service jobs, aides, visiting nurses, nutritionists and outreach workers, among others.

A health component is necessary to meet the health emergency faced by millions of uninsured families. You have heard the statistics, too, I am sure. According to CBO, 10.7 million people, including children and spouses, lacked health insurance coverage at the end of 1982 because of joblessness. In 27 States, medicaid does not cover impoverished, unemployed two-parent families and their children. This situation is again all too typical.

A young woman in Alabama was pregnant for the first time. She was getting prenatal care from a private doctor. Her baby was going to be delivered in the local hospital. Her care was covered by health insurance. Her husband worked as a steelworker. He was laid off. They had no health insurance benefits. They were now indigent. But because she and her husband lived at home, under Alabama's medicaid program, she could not qualify for medicaid to pay for the rest of her prenatal care and delivery costs. Her doctor told her not to come back. She went 6 weeks without prenatal care. She went on television and begged for help. Then her husband left home. Because she was now a single, low-income prospective parent, she went back to getting prenatal care under the medicaid program.

Dick Celeste spoke at CDF's conference last week. He talked about a woman in Ohio who had two normal children. She got pregnant and her husband was unemployed. She got no prenatal health care during her 9 months of pregnancy. She delivered a 12-pound stillborn baby. The baby had diabetes that was related to pregnancy. If the woman had regular checkups like every pregnant woman should have, the baby would have been all right and lived.

In 34 States, medicaid does not cover children who are two-parent uninsured families.

Mr. **Jeffords**. Excuse me. How much longer is your statement.

Ms. **Blank**. One minute.

Mr. **Jeffords**. I am worried that I am not going to hear everyone.

Ms. **Blank**. We urge you to look at the fact that 47 States have cut their maternal and child health block grant services. We are very concerned about what is happening with pregnant mothers and young women. We feel that money in WIC is just not enough.

In closing, we hope that you create jobs that can bolster services in child care programs, hospitals, health centers and schools. We believe a separate health component is essential. Again, we hope that you put funds into programs that help meet the emergency needs of families and children.

Thank you.

Mr. **Jeffords**. Thank you very much for a very excellent statement.

[The prepared statement of Helen Blank follows:]

PREPARED STATEMENT OF HELEN BLANK, CHILDREN'S DEFENSE FUND, WASHINGTON, D.C.

Mr. Chairman, members of the Subcommittee, I am Helen Blank, Director of Child Care and Family Support at the Children's Defense Fund. CDF is a national public charity created to provide a long-range and systematic voice on behalf of the nation's children. We are organized into four program areas: education, child health, child welfare, and child care and family support services. We address these issues through research, public education, monitoring of federal and state administrative and legislative policies and practices, network building, technical assistance to national, state, and local groups, litigation, community organizing, and formation of specific issue coalitions.

We welcome the efforts of Representative Hawkins and of all the members of Congress who are working to develop legislation to address the joblessness that plagues our country. CDF has witnessed the devastating effects of both unemployment and severely reduced funding for critical federal support systems on our nation's children and families. As Congress acts, we urge you to consider the rapidly shrinking resources for preventive programs that assure our children a chance to develop, learn, and thrive. A recognition that children and families are at the core of our infrastructure demands that a jobs package include at a minimum:

- Funds for emergency assistance which includes shelter and food, help for families to find permanent housing, and assistance in obtaining necessary social services.

- Employment opportunities that include positions in child care centers, hospitals, clinics, and public schools.
- Funds for child care to help ensure that women, especially single heads of households, have the opportunity to take jobs and participate in training.
- A health component to meet the health emergency experienced by millions of uninsured families in this country.

Our work with the nation's families demonstrates a need for an extensive recovery and support program. The full range of programs necessary to establish a minimum floor of decency for the nation's children is set forth in H.R. 1603 the Children's Survival Bill introduced by Representatives Ferraro and Miller. We hope the Congress will move very soon to enact a comprehensive employment and training bill and consider relevant provisions of the Children's Survival Bill as it does so.

1. A jobs bill must include funds targeted to emergency assistance which includes shelter and food, help for families to find permanent housing, and assistance in obtaining necessary support services. On the basis of CDF's monitoring of the harm done to children by federal budget cutbacks and the state of the economy, we believe it is critical that a jobs package include funds targeted to emergency services to help alleviate the pressures on beleaguered families and on the agencies that are striving to help them.

Last January, the Children's Defense Fund in collaboration with the Association of Junior Leagues launched Child Watch to monitor the impact of federal budget cuts on our neediest children and families. Nearly 1,000 volunteers, representing the Junior League and ten other national organizations have conducted interviews in over 100 communities. They have talked to child care providers, hospital administrators, social workers, parents, and others. Almost all of the projects have documented an enormous increased demand on local organizations providing emergency food and housing assistance and a growing pressure on the child welfare system.

A report from Birmingham Alabama's Child Watch Coordinator illustrates the problem. St. Andrews Parish had one soup kitchen in 1980-81 which served 320 children. In 1983, they are projecting serving 5,000 children at 3 locations.

Countless children and families are going homeless, cold and hungry, forced to choose among food, health care, heat, and shelter. The Community for Creative Nonviolence in its report Homelessness in America: A Forced March to Nowhere, estimates "the number of homeless people could reach 3 million or more during 1983". The following example is all too familiar:

- A mother and three children, the youngest of whom is seven, have been staying in a city shelter opened to serve families when two others overflow. It requires a family to pay part of its monthly check for rent before the city will pick up the rest of the bill. No meals are provided, so the family has to walk about two miles one way to another family shelter twice a day in order to eat, or spend $4.80 round trip each time on the bus. The mother needed coats and other warm clothes for the children and chose clothes rather than bus fare. Some weekends, because they are too tired to walk the distance in the cold, they have had no food at all. There are no cooking or refrigeration facilities in the hotel and the family is limited to receiving food at only one site. In addition, every day at noon they have to leave their room at the hotel with all of their belongings until the hotel can determine if they are still eligible for shelter. Sometimes this is not verified until evening and the family has to stay out in the cold all day.

Financial pressures on families are contributing to increased reports of child abuse and neglect and more requests for foster care. A survey of child abuse specialists in all 50 states and the District of Columbia, conducted in the fall of 1982 by The National Committee for Prevention of Child Abuse, reported that 39 states had seen an increase in reported cases of abuse in the past year. Fifteen states said they were seeing more deaths due to abuse, and 33 states reported seeing more serious abuse. Despite these figures, 32 states said there had also been noticeable cutbacks in child abuse programs.

- In Philadelphia, general protective service reports of children needing protective services in October 1982 were double those of a year earlier. Fifty percent of the 136 new reports in October were directly attributable to economic factors--families with no heat, food, or place to live. In some cases, the agency has used a state-financed Children's Fund to pay a gas bill or a security deposit and one month's rent--a more cost-effective alternative than the $32 to $55 a week it costs to place a child in foster care for a minimum of two to three months. However, the agency has not been able to do this for every family. In November emergency placements were requested for 139 children. Staff averted a number of these placements by helping families to get gas and electricity turned back on and to receive special food supplements. Even so, the 40 children placed in foster care during a relatively warm November was twice the number placed during November 1981.

The case of Mrs. Jones and her three pre-school children is typical of those seeking help across the country:

- Mrs. Jones first applied to an emergency shelter after her unemployment benefits ran out, her gas and electricity were shut off, and she and her children were evicted from their home. For a while, the family stayed in the shelter. But when they had used up the time period they were allowed to stay there, they were asked to leave.

> Mrs. Jones was desperate and distraught. The department of public assistance would not give the family an emergency check to make ends meet because they had no place to live. Yet no one at the shelter could care for Mrs. Jones's three children while she looked for housing.
>
> When Mrs. Jones finally came to the attention of a local child welfare agency, sensitive workers there arranged to pay the emergency shelter extra money so the family could stay longer. Meanwhile, the agency purchased day care for Mrs. Jones's children so that she could search for a place to live. And they helped her work out her problems with the department of public assistance.
>
> One of the workers also accompanied Mrs. Jones to a local community mental health center to assist her in getting help for her extreme anxiety. However, Mrs. Jones's case was only one of 40 this worker handled. The demands of cases like Mrs. Jones's have increased due to budget cuts. Already overloaded emergency care staff are struggling to give adequate attention to the families that need help.

In many states, increased demands for care have been accompanied by reductions in staff and services, thereby jeopardizing the quality of care available to abused, homeless, neglected, and disturbed children. Despite valiant efforts, few states have been able to fill the gap left by federal cutbacks.

- California lost $58.1 million in Title XX funds for the period October 1981 through June 1982. The state managed to maintain child protective services required by state law and out-of-home care only by transferring funds from the Child Welfare Services Program and the Low-Income Home Energy Assistance Block Grant and eliminating training. In spite of such efforts, cutbacks resulted in a 19 percent reduction in budgeted social work positions in 1981-1982, and a corresponding increase in caseload size. Not surprisingly, the state has moved away from providing preventive and supportive services and is focusing attention primarily on crisis intervention.

- Kentucky reduced its human services field staff by over 20 percent for Fiscal Year 1982, severely restricting the services available to children in care. A 25 percent cut in travel also limited the staff's ability to monitor the quality of care children receive and to assist parents in visiting their children. Since December all Title XX child care services in Louisville and Lexington have been targeted on protective services cases and closed for children of working parents.

Even states that have tried to cushion the impact of federal cuts are facing grave difficulties. Title XX cuts in some states have exceeded 21 percent, because the federal government no longer requires that states contribute $1 for every $3 in federal funds and maintain key protective services for children. Over 25 states tried to absorb Title XX cuts in the first year by transferring funds to the Social Services Block Grant from the Low-Income Home Energy Assistance Block Grant. Others used funds freed up by changes in AFDC to bolster social services. Still others imposed or raised fees for services or limited those who could participate in the program. Several states, including California, Florida, and New Jersey, used funds that were available under the Title IV B Child Welfare Services Program (to prevent placement and develop alternatives to foster care) to offset federal Title XX cuts and meet the demand for increased state funds.

But states will not be able to maintain indefinitely these stop-gap measures to minimize what in many states is almost a one-fourth federal funding cut. Numerous state officials warn that additional cuts in federal dollars will make it impossible to meet the increasing demand for services.

2. Employment opportunities must include positions in child care centers, hospitals, clinics, and public schools in addition to jobs for repairing the nation's physical infrastructure. In addition to ensuring that the employment needs of women are addressed, jobs in these areas provide critical assistance to child care centers, hospitals, and public schools at a time when budget cuts are

forcing them to lay off workers and deny absolutely critical services to children and low-income people. When public services jobs were eliminated under CETA, disadvantaged children nationally lost not only Head Start aides, child care workers and health clinic staff, but also Title I teaching aides. Special education aides were dropped and security patrolmen in the urban schools were fired. These teacher aides made a critical difference in the lives of some of the most vulnerable children. The jobs also provided the opportunity for disadvantaged women who might not be suited for construction jobs to find meaningful work. We urge that this Subcommittee reinstate public services jobs in all these critical areas.

We ask that the Subcommittee give a high priority to the nation's public elementary and secondary schools when considering any new jobs legislation. It is estimated that the accumulated deferred maintenance for elementary and secondary school buildings runs as high as $25 billion.* And, for the schools to clean-up hazardous asbestos and remove architectural barriers for handicapped children, some $4.5 billion is needed. While it is true that some money from Community Development Block Grants might be used to help the schools with their maintenance needs, the greatest incidences of asbestos problems and architectural barriers for the handicapped exist in urban school districts, in areas of high unemployment. Community Development Block Grants have not, in the past, been targeted on these urban areas. We would recommend therefore that in addition to raising the priority of schools as subgrantees under the CDBG, the Appropriations Committee fund P.L. 96-270, the Asbestos School Hazard Detection and Control Act of 1980, and Sec. 607 of P.L. 94-142, (the Architectural Barriers Act as amended by the Education for All Handicapped Child Act) at some $75 and $425 million respectively.

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* See *Maintenance Gaps, Deferred Repairs and Renovation in the Nation's Elementary and Secondary Schools* American Association of School Administrators, Council of the Great City Schools, and National School Boards Association (Washington, D.C.: January 1983).

3. We also believe that it is absolutely essential to to increase funding for child care by adding at least $200 million to the Title XX Social Services Block Grant.

We ask you to pay particular attention to child care given that the availability of child care is a key factor in a woman's ability to even take advantage of training or employment opportunities. These Title XX funds should be in addition to allowing child care jobs to be funded through a general jobs fund.

Adequate child care is already a pressing need for many American families. The supply of child care lags so far behind the need that as many as 6 to 7 million children 13 years old and under, including many pre-schoolers may go without care for significant parts of each day while their parents work. 46 percent of all pre-school children now (8.5 million) have mothers in the labor force.

Women are working because of economic necessity. Two-thirds of the women in the work force are either sole providers or have husbands who earn less than $15,000. Over one-third of single parent families most often headed by women live below the poverty line. Single parents must have access to child care to seek employment. They already face a grim employment picture. The unemployment rate for single mothers with children under age six is 18.9 percent.

Lack of affordable child care is a major factor in keeping women and children in poverty. The U.S. Commission on Civil Rights notes that the inability to access child care not only restricts women's employment and training opportunities but also their ability to participate in federally supported education programs. A number of studies have shown that approximately one of every five or six women is unemployed because she is unable to make satisfactory child care arrangements.

The United States has always had a patchwork child care system. Since 1981, it has been rapidly unraveling. The largest source of direct support for child care, the Title XX Social Services Block Grant paid for care for 750,000 low-income children in Fiscal Year 1980. In addition to having its funding severely reduced in Fiscal Year 1982, a targeted $200 million for child care and a separate training program were eliminated. The Child Care Food Program which helps defray the costs of meals provided to children in child care centers or family day care homes was cut by 30 percent or nearly $130 million in Fiscal Year 1982. The amount of child care costs that families can be compensated for under the Aid to Families With Dependent Child (AFDC) program was also limited. Finally, many child care programs lost critical staff when the Public Services Employment component of CETA was eliminated. Head Start alone lost 6,000 workers.

Many states, as a result of funding cutbacks, have severely diminished child care support for mothers enrolled in training programs or stiffened eligibility criteria so that subsidized child care is no longer available or too costly for lower income working families. When CDF surveyed 36 states with regard to their Title XX child care policies, we found that in the last two years seventeen states had restricted child care for mothers enrolled in training programs. Some no longer provide any child care assistance to these mothers.

- To cut costs, Delaware passed a requirement that no school-age children can receive subsidized child care. Nor can mothers who attend college or post-high school training programs that last more than one year. In addition, all working families must pay at least $10 a week for services that some poor families used to receive free. The new guidelines have forced nearly 1,000 parents to withdraw their children from centers; these are often single mothers earning small income or trying to complete their education. Many can no longer qualify for day care or afford the new state fee for service--as much as $30.50 a week for two-parent families earning a gross weekly wage of $180.25. In Sussex County, Delaware, 6 of 13 sites serving low-income mothers have closed. One site in New Castle County has also shut down.
- In 1980-81, 45 districts in New York state provided child care subsidies for low-income working parents ineligible for AFDC. Now only 33 districts offer such assistance, and five have lowered their eligibility criteria.

The results of federal, state and local cutbacks in child care for women who are struggling to improve their family's situation through employment or training-are extremely painful:

- One Delaware woman was forced to drop out of school, where she was studying accounting and computers, in order to regain eligibility for child care. Now she's attaching yokes to men's shirts in a sewing factory, earning little more than the minimum wage. She stated, "I just had higher hopes for myself and my kids."

- A Wilmington, Delaware center serving high school mothers had 56 children enrolled in the program in 1980-81, and only 21 in the late fall of 1982. Many of the young mothers have dropped out of high school.

- The Johnson County, Kansas, Day Care Association sent a questionnaire to the county's day care providers after many children lost Title XX child care subsidies. They found that 17 percent of the parents had quit work, 10 percent of the children had been taken to unlicensed day care arrangements, and 7 percent of the children were not receiving any care while their parents worked.

Children are being left alone or have been switched to less familiar, and often less supportive, child care arrangements.

- In 1981, 739 West Virginia families lost child care. Some 565 of these families responded to a questionnaire regarding their current child care arrangements. A total of 391 children had experienced some type of change in child care arrangements. At least 79 children were caring for themselves.

- A Rhode Island child care center, located in a public housing project, had 22 children enrolled last year. Five children remain. The director reports that some children are being cared for by teenaged high school dropouts; others she watches hanging out on the near-by playground.

- In Pittsburgh, a combination of Pennsylvania policies--including tighter eligibility criteria and fees for services--resulted in over 200 children losing child care services, 10 percent of the total number being served. Some parents quit work. One parent commented, "I'm forced to leave my child in the care of an unlicensed babysitter whom I don't trust as much as the licensed day care provider." Another mother says, "My children are no longer with me because I couldn't find day care. The children are with their grandparents." Many older children have been forced to stay home from school to care for preschool brothers and sisters.

- A report by the Citizens Committee for Children of New York revealed that in New York City, center teachers and directors are seeing newly ineligible and financially strapped parents resorting to substandard, unlicensed, and unsupervised day care. These directors report that no quality alternatives to public day care exist for these families. "Day care available" signs have been seen in store fronts all over the Bushwick section of Brooklyn. Directors report that children are being crowded into unsuitable, unlicensed facilities that are both unsafe and illegal. Such arrangements are increasing.

4. We believe it essential that additional funds for the Maternal and Child Health Block Grant be included in your package at a minimal level of $80 million. The MCH Block Grant is the only public health program targeted on mothers and children and funds for this cost-effective service would go primarily to low paying services jobs - aides, visiting nurses, nutritionists, outreach workers, among others. A health component is necessary to meet the health emergency experienced by millions of uninsured families in this country.

- According to CBO 10.7 million people, including children and spouses, lacked health insurance coverage at the end of 1982 because of joblessness.

- Experts estimate that in 1983, 13 million children will be living in families experiencing joblessness.

- 4.2 million poor children (34% of poor children) have no health insurance. Another 5.1 million (41% of poor children) are insured for only part of each year. Unlike the elderly who have Medicare, there is no guaranteed source of health insurance for the majority of American children.

- In 27 states Medicaid does not cover impoverished unemployed two-parent families and their children.

- A young woman in Alabama, pregnant for the first time, had been getting prenatal care from a private doctor and had made arrangements to have her baby delivered at the local hospital. Her care was covered by the health insurance her husband got as a benefit for his work as a steelworker. About half way through her pregnancy, however, he was laid off and lost his health insurance benefits. Though they were now indignent, because both she and her husband lived at home, under Alabama's Medicaid programs, she could not qualify for Medicaid to pay for the rest of her prenatal care and delivery costs. Her doctor told her not to come back since she had no way to pay the bills. She went six weeks without prenatal care. She didn't know where to go or whom to ask for help since she'd never used the public health and welfare system before. Finally, in desperation, she approached a television station. The station broadcast her story but no one stepped forward to help her. Then her husband left home. Because she was now a single low-income prospective parent, Alabama's Medicaid program could cover her. She went back to getting prenatal care.

- In 34 states Medicaid does not cover children who are in two-parent uninsured families.

Particularly hard hit by lack of access to health care are pregnant women (who cannot get prenatal care and are appearing in emergency rooms to deliver and being asked to pay large pre-admission deposits which they cannot afford) and children. CDF's health survey shows that every state has cut its Medicaid program and 47 states have cut their Maternal and Child Health Block Grant Services. Many clinics and community health centers that have been forced to close are located in areas of high unemployment. State administrators and clinic personnel are telling us that waiting lists for reduced cost care provided by state and local health MCH clinics are way up.

- Arkansas, like many states, is suffering from exceedingly high levels of unemployment (9.6 percent in October 1982), which have placed new strains on the already overburdened public health system. Because of decreased revenues resulting from unemployment, the state has been unable to respond to the heightened need for health care. An estimated 33,000 persons, 70 percent of them children, lost AFDC and Medicaid as a result of federal 1981 budget cuts. The state was also forced to impose new limits on inpatient hospital and prescription drug services under Medicaid. At the same time, Arkansas's Maternal and Child Health agency was forced to cut funding for its children and youth projects by two-thirds, affecting 10,000 poor and near-poor children. This happened even as the number of insured children grew due to federal budget cuts. Moreover, because of the increased demand for services and inadequate funding, there is now a four-to six-month waiting list at public maternity clinics for the first appointment. A pregnant woman is unlikely to be seen until she is in her sixth to ninth month of pregnancy.

We urge that Congress as it responds to the pressing need to help the millions that are unemployed does not overlook the equally urgent need to provide support services to their families and children. We ask you to also take this opportunity to create jobs that can bolster services in child care programs, public schools, hospitals, and health centers. We have made it all too clear why we believe that a separate health component is essential. Finally, we urge you to include targeted support for child care recognizing that it is a key factor in enabling women especially single heads of households to participate in a Jobs Initiative.

Mr. JEFFORDS. Next is Ms. Margaret Morgan-Hubbard.

STATEMENT OF MARGARET MORGAN-HUBBARD, DIRECTOR, JOBS IN ENERGY, WASHINGTON, D.C.

Ms. MORGAN-HUBBARD. My name is Margaret Morgan-Hubbard. I am the director of Jobs in Energy, a nonprofit corporation whose focus is to provide technical assistance to two affiliated community weatherization projects in Philadelphia and Baltimore and to serve as a resource for similar community energy projects in other cities.

I am also the convener of the Energy and Employment Strategy Group, a broad coalition of national organizations which provides information concerning energy and employment issues and works on national policy in support of community-based energy and employment efforts.

I am delighted to testify once again before the Subcommittee on Employment Opportunities. Three years ago at its New York hearings on energy and jobs conducted by Representatives Augustus Hawkins and Ted Weiss, I spoke of the devastation of New York's low-income neighborhoods, homes and families wrought by the energy crisis and the vast unrealized potential of energy conservation and renewable energy industries for reversing this trend by creating jobs and revitalizing the ecomony.

My comments today are not substantially different from my remarks and the testimony of my associates that you heard 3 years ago, because unfortunately, the Nation's policymakers have not taken cognizance of our studies and experiences and have not yet leaned the obvious truism that the best way to counter unemployment is to create jobs—in the most inflationary sectors of the economy. And one of the most inflationary sectors of the economy has been and remains the energy sector.

From 1973 to 1980, energy accounted for 15 percent of the Consumer Price Index. In 1980, it reached 22 percent. In decontrolling the price of oil and natural gas and allowing domestic producers to raise their prices to match OPEC's price scale, our Nation's leaders believed they would encourage new domestic production, lessen energy consumption and reduce reliance on imported oil.

However, the cumulative effect of these actions has instead been massive unemployment and the increased suffering of untold numbers of our Nation's low-income, elderly and blue collar households. In the last decade, we have witnessed home heating oil prices increase sixfold, natural gas prices rise roughly fourfold, and the cost of electricity triple.

While oil prices have taken a small and temporary downward turn in the past year, natural gas prices continue to rise at an average annual rate of 25 percent. Some areas of the Nation, particularly in the Midwest, have reported increases this winter alone of from 35 percent to 65 percent. In the Northern States, home energy costs often exceed household income during the winter months. In over 21 States, average heating and cooling costs exceed $1,000 per year, and in 12 States, the highest average monthly heating bill exceeds the States' maximum SSI benefit.

Greater than 70 percent of the elderly poor spend more than 20 percent of their total income on home energy bills. And one-fourth of these spend more than 40 percent. Rising energy prices have dramatically decreased the poor's disposable income. Between 1979 and 1981 alone, the loss has been estimated at over $14 billion.

Most of the Nation's low-income population live in deteriorating, energy inefficient housing that is inadequate to meet basic standards of warmth and comfort, and close to half of the energy purchased to supply heat and hot water in these dwellings is still wasted due to inefficient energy use.

Households which lack funds to meet rising energy bills do not have the resources to invest in needed weatherization on their homes, even though relatively modest investments in weatherization can produce repeated annual savings of between 25 and 30 percent. In fiscal year 1982 alone, Congress has had to appropriate $1.875 billion for low-income energy assistance to pay for utility bills. Weatherization, instead, represents an investment which pays off year after year, while energy assistance simply helps people from crisis to crisis as bills become even larger.

In recognition of the need for a more meaningful, longer term assistance program, since 1977 the Department of Energy has administered a national weatherization program to assist low-income residents. However, by weatherizing homes at the fiscal year 1982 level of $144 million per year—200,000 homes at $800 per home—it would take over 80 years to weatherize the Nation's low-income dwellings alone.

Because there is such a compelling need for adequate weatherization of the Nation's 16 million low-income dwellings, there is no question that such activities must be included in any jobs bill that hopes to address national needs. But there are even greater benefits associated with weatherization activities.

Making homes more energy efficient is an extremely labor-intensive activity and a highly effective way to create desperately needed jobs. Such jobs are well suited to our current national needs. They provide both low-skilled and high-skilled work in the construction trades, one of the Nation's most depressed industries.

And since energy waste is particularly high in areas most plagued by unemployment, job creation in energy conservation and renewable energy will simultaneously provide long-term real employment opportunities in their communities for those most in need of work. They would not be make-work jobs; they fulfill a pressing national need while providing training opportunities in transferable job skills.

Creating jobs by improving the energy efficiency of existing housing, particularly at a time when new housing construction is at an all-time low, is creating jobs to improve the infrastructure of the Nation, while fighting one of the root causes of inflation and stopping the tremendous drain of dollars from our local communities that pays for wasted energy.

Weatherization activities also produce an additional multiplier effect on employment, and effect not achieved by any other jobs program. Reduced home fuel bills make possible increases in other consumer spending. Since providing other goods and services is more intensive than providing energy supplies, this shift in consumer spending will create additional jobs. And once weatherization measures are installed, the initial investment yields energy savings year after year, this multiplier effect is cumulative. For every $100 million spent on low-income weatherization, 5,000 direct and indirect new jobs are created. This alone represents an extremely cost-effective means of creating jobs. But in addition, because of the multiplier effect, 4,600 more jobs per year, or 20,700 more jobs will be created for every $100 million invested, yielding a grand total of 25,700 jobs over the 20-year average lifetime of energy conservation investments.

Expansion of the existing Department of Energy program, which has a 6-year proven track record, will allow for immediate job creation. There is little question that the existing program could accommodate greater volume right away.

According to data compiled by the Department of Energy at the end of 1980, the weatherization program was already equipped to handle twice the volume of work its fiscal year 1980 appropriations permitted. At a time when it should have been expanded, the program was cut by more than 25 percent over the past 2 years and has had to absorb large labor costs due to the phaseout of CETA, constituting another 25 to 30 percent cut on program funds.

I don't want to continue reading this. I just want to say that the two programs that we have been working to try to expand, the low-income weatherization program and the solar and conservation bank, we are convinced would create a significant number of jobs and be able to produce those jobs right away.

I have a list in my testimony of the national organizations that support this kind of effort. It includes such organizations as the AFL-CIO, the Center for Community Change, Friends of the Earth, the National Council of Churches, the National Urban Coalition, and the Rural Coalition, among other groups.

There is no question that programs that are designed to promote energy efficiency hold a great potential as job creators. A study commissioned by the Joint Economic Committee of Congress found that as many as 2.9 million jobs could be generated over the next two decades by a comprehensive program introducing conservation in solar energy into all sectors of the ecomony. Millions of additional jobs would be created as consumers shift their spending from costly, previously wasted energy to other goods and services that can generate new employment.

The best way to beat our Nation's chronic inflation and increasing unemployment is to maintain a full employment economy with jobs targeted to keep inflation under control. Productive jobs in energy and housing can reduce inflation in the necessities sector. If we want to penetrate chronic unemployment, we must undertake a targeted development approach that focuses on the most depressed communities, the currently unemployed and the areas of the greatest national need. We need to expand those industries which can offer stable, entry-level employment. Energy conservation and renewable energy production are two such areas of national need where we can begin go find the employment solutions for which we are desperately seeking.

Thank you.

Mr. JEFFORDS. Thank you very much.

As you know, that is an area that I have been very interested in on this committee, and I appreciate very much your help and your testimony.

[The prepared statement of Margaret Morgan-Hubbard follows:]

PREPARED STATEMENT OF MARGARET MORGAN-HUBBARD, DIRECTOR, JOBS IN ENERGY, WASHINGTON, D.C.

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My comments today are not substantially different from my remarks and the testimony of my associates that you heard three years ago, because unfortunately, the nation's policymakers have not taken cognizance of our studies and experiences and have not yet learned the obvious truism that the best way to counter unemployment is to create jobs—in the most inflationary sectors of the economy. And one of the most inflationary sectors has been, and remains, the energy sector.

From 1973 to 1980, energy accounted for 15 percent of the Consumer Price Index. In 1980, it reached 22 percent (U.S. DOE, "Interrelationships of Energy and the Economy," July 1981). In decontrolling the price of oil and natural gas and allowing domestic producers to raise their prices to match OPEC's price scale, our nation's leaders believed they would encourage new domestic energy production, lessen energy consumption and reduce reliance on imported oil. However, the cumulative effect of these actions has been instead massive unemployment and the increased suffering of untold numbers of our nation's low-income, elderly and blue collar households. In the last decade, we have witnessed home heating oil prices increase sixfold, natural gas prices rise roughly fourfold, and the cost of electricity triple. While oil prices have taken a small and temporary downward turn in the past year, natural gas prices continue to rise at an average annual rate of 25 percent. Some areas of the nation, particularly the Midwest, have reported increases this winter alone of from 35 to 65 percent. In the northern states, home energy costs often exceed household income during the winter months. In over 21 states, average heating and cooling costs exceed $1,000 per year, and in 12 states, the highest average monthly heating bill exceeds the states' maximum SSI benefit.

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Most of the nation's low-income population live in deteriorating, energy inefficient housing that is inadequate to meet basic standards of warmth and comfort and close to half of the energy purchased to supply heat and hot water in these dwellings is wasted due to inefficient energy use.

Households which lack funds to meet rising energy bills do not have the resources to invest in needed weatherization on their homes, even though relatively modest investments in weatherization can produce repeated annual energy savings of between 25 and 30 percent. In fiscal year 1982 alone, Congress has had to appropriate $1.875 billion for Low Income Energy Assistance to pay for utility bills. Weatherization represents an investment which pays off year after year, while energy assistance simply helps people from crisis to crisis as bills become even larger.

In recognition of the need for a more meaningful, longer term assistance program, since 1977 the Department of Energy has administered a national weatherization program to assist low-income residents. However, by weatherizing homes at the fiscal year 1982 level of $144 million per year (200,000 homes at $800 per home), it would take 80 years to weatherize the nation's low-income dwellings.

Because there is such a compelling need for adequate weatherization of the nation's 16 million low-income dwellings, there is no question that such activities must be included in any jobs bill that hopes to address national needs. But there are even greater benefits associated with weatherization activities.

Making homes more energy efficient is an extremely labor-intensive activity and a highly effective way to create desperately needed jobs. Such jobs are well suited to our current national needs: they provide both low-skilled and highly skilled work in the construction trades, one of the most depressed of the nation's industries. And since energy waste is particularly high in the areas most plagued by unemployment, job creation in energy conservation and renewable energy will simultaneouly provide long-term, real employment opportunities in their own communities for those most in need of work. They would not be make-work jobs; they fulfill a pressing national need while providing training opportunities in transferable job skills.

Creating jobs by improving the energy efficiency of existing housing, particularly at a time when new housing construction is at an all-time low, is creating jobs to improve the infrastructure of the nation, while fighting one of the root causes of inflation and stopping the tremendous drain of dollars from our local communities that pays for wasted energy.

Weatherization activities also produce an additional multiplier effect on employment, an effect not achieved by any other jobs program. Reduced home fuel bills will make possible increases in other consumer spending. Since providing other goods and services is more labor-intensive than providing energy supplies, this shift in consumer spending will create additional jobs. And since once weatherization measures are installed, the initial investment yields energy savings year after year, multiplier effect is cumulative. For every $100 million spent on low-income weatherization, 5,000 direct and indirect new jobs are created. This alone represents an extremely cost-effective means of creating jobs. But in addition, because of the mulitiplier effect, 4,600 more jobs per year, or 20,700 more jobs will be created per every $100 million invested, yielding a grand total of 25,700 over the twenty-year average lifetime or energy conservation investments (per $100 million invested).

Expansion of the existing Department of Energy program, which has a 6-year proven track record, will allow for immediate job creation. There is little question that the existing program could accommodate greater volume right away.

According to data compiled by DOE at the end of 1980, the weatherization program was already equipped to handle twice the volume of work its fiscal year 1980 appropriations permitted. At at time when it should have been expanded, the program was cut by more than 25 percent over the past two years and had to absorb large labor costs due to the phase-out of CETA (constituting another 25–30 percent cut in program funds).

The Energy and Employment Strategy Group, a coalition of labor, energy, environmental, religious, minority and consumer organizations, was convened by Jobs in Energy to promote job creation in energy conservation and renewable energy as a step toward achieving a more stable and secure full-employment economy. The Energy and Employment Strategy Group advocates expanding the Department of Energy's Low-Income Weatherization activities to the level of $1.5 billion per year, so that all the eligible low-income residences will be weatherized within the next ten years.

The projected job impact of a $1.5 billion weatherization program is the immediate creation of 61,600 direct and indirect jobs per year and 280,000 work-years of employment when the money due to energy saving is recirculated in the ceonomy. The energy savings resulting from such an investment would be 135 million barrels of oil equivalents, or $6.1 billion.

The Energy and Employment Strategy Group also advocates restoring the Solar and Conservation Bank to its orginally authorized spending level of $1.1 billion. The Solar and Conservation Bank's mandate is to encourage conservation and the use of solar energy by low- and moderate-income Americans through the provision of subsidized loans and/or grants. Participating financial institutions (which can include CDC's, cities, or state H.F.A.'s) may use funds from the Bank to reduce the principal or the interest on conservation or solar energy loans, or to make grants for energy conservation measures to low-income tenants and homeowners.

It is designed to reach the vast majority of financially-strapped Americans who need to make energy improvements on their homes but whose incomes put them out of reach of low-income weatherization programs, yet are insufficient for the initial capital requirements of existing tax credit-incentive programs. For these low- and moderate-income consumers, the Bank can provide the up-front costs to purchase conservation and renewable energy improvements that are cost-effective over the lifetime of the equipment. By providing access to capital for needed conservation components and services, the Bank will help overcome the greatest obstacle to the growth of this burgeoning industry. And since the Solar and Conservation Bank is primarily designed as a loan program, it can leverage two private dollars for every one public dollar allocated.

The demand for the Solar and Conservation Bank has already been demonstrated. In the past two months, in response to the Department of Housing and Urban Development's solicitation for proposals to spend the fiscal year 1982 appropriation of $21.8 million, 53 states and territories have submitted requests for more than $155 million. Clearly a demand exists that far exceeds the funds currently appropriated for fiscal year 1982 and the expected fiscal year 1983 appropriation of another $20 million.

Furthermore, since the Bank's rules and regulations allow for money to be allocated on a competitive basis, only localities with cost-effective and successful programs were encouraged to apply.

The Energy and Employment Strategy Group is convinced that an adequately capitalized Solar and Conservation Bank can create the necessary stimulus for the conservation and renewable energy industries to "take off." It will significantly expand the demand for manufacturing and installing renewable energy and weatherization equipment. Since the bulk of this industry is composed of small, labor-intensive businesses, primed for growth, the market stimulation resulting from this infusion of investment capital should go a very long way toward creating the millions of jobs market analysts project.

A $1.1 billion allocation for the Solar and Conservation Bank would create 150,600 direct and indirect jobs and 550,400 work-years of employment in the next twenty years, as energy savings associated with these investments are respent in the economy. It would save 266 million barrels of oil equivalents, or $12 billion in energy savings. In addition, by creating more than one million work-years of new employment, the combined effect of one year's funding of the two programs we advocate would increase Federal revenues by $5 billion in taxes over the next twenty years.

The following list of 28 national organizations support the inclusion of Low-income Weatherization and the Solar and Conservation Bank in all national jobs bills: The AFL-CIO, American Federation of State, County and Municipal Employees, American Wind Energy Association, Center for Community Change, Citizen/Labor Energy Coalition, Congress for a Working America, Consumers Energy Council of America, Energy Conservation Coalition, Environmental Action, Environmental Action Foundation, Environmental Policy Center, Environmentalists For Full Employment, Friends of the Earth, International Association of Machinists, International Union of Bricklayers and Allied Craftsmen, Jobs in Energy, National Council of Churches' Division of Church and Society, National Consumers League, National Urban Coalition, National Urban League, Public Citizen, Renewable Energy Institute, Rural Coalition, Service Employees International Union, Sierra Club, Social Development Corporation, Solar Lobby, United Methodist Board of Church and Society, Union of American Hebrew Congregations, Urban Environmental Conference.

There is no question that programs designed to promote energy efficiency hold great potential as job creators. A study commissioned by the Joint Economic Committee of Congress found that as many as 2.9 million jobs could be generated over two decades by a comprehensive program introducing conservation and solar energy into all sectors of the economy. Millions of additional jobs would be created as consumers shift their spending from costly, previously wasted energy to other goods and services that can generate new employment.

The best way to beat our nation's chronic inflation and increasing unemployment is to maintain a full-employment economy with jobs targeted to keeping inflation under control. Productive jobs in energy and housing can help reduce inflation in the necessities sector. If we want to penetrate chronic unemployment, we must undertake a targeted development approach that focuses on the most depressed communities, the currently unemployed and areas of greatest national need. We need to expand those industries which can offer stable entry-level employment. Energy conservation and renewable energy production are two areas of national need where we can begin to find the employment solutions for which we are desperately searching.

Mr. **Jeffords**. Mr. Hal Wilson.

STATEMENT OF HAL WILSON, VICE CHAIRMAN, RURAL COALITION, WASHINGTON, D.C.

Mr. **Wilson**. Thank you very much, Mr. Chairman. I am Hal Wilson, executive director of the Housing Assistance Council, and I am appearing here today by virtue of my position as the vice chairman of the Rural Coalition. We are very pleased for the opportunity to testify favorably on the Community Renewal Employment Act.

I think that the bill is indeed timely and a much needed response to the misery faced by rural residents. My testimony will emphasize the rural nature and rural impact of this particular bill.

You have my complete statement and, if I might, I would like to simply summarize the major points in my testimony and then be available for any questions you might have.

The bill is timely because, even though there is some sense that rural areas have experienced some degree of growth over the last 10 years, the nonmetro jobless rate has grown at a faster rate than the growth and still outstrips that of metropolitan areas.

The most recent statistics for the fourth quarter of 1982 reveal a 10.4 percent nonmetro unemployment rate or 0.2 of a percent higher than that in metropolitan areas. The USDA's Economic Research Service has calculated that this rate, once adjusted for the part-time and discouraged job seekers so characteristic of rural areas, amounts to approximately 15.5 percent of the work force.

I think it is important to point out that in rural areas, the discouraged workers and underemployed or part-time workers are a significant part of the unemployment characteristics, and that the unemployment figures in rural areas should be adjusted for these factors. This is a recommendation also that is made by the Economic Research Service of the Department of Agriculture.

The unadjusted unemployment rate in rural areas increased from 5.7 in 1979 to 10.1 percent in 1982. The Economic Research Service adjusted rate increased from 8.5 percent to 14.9 percent during that same time period. In the meantime, employment has been growing, but at a virtual creep when it is compared to the increase in unemployment.

The biggest loss of jobs in rural communities has been in the manufacturing sector, from 6.8 million workers in 1979 to 6.1 million in 1982. Certainly the slump in the auto, steel, and housing industries has also had a dramatic effect in rural communities. In addition, mining, farming, and other rural industries have felt the impact of the recession.

As an example, in West Virginia in December 1982, a higher unadjusted unemployment rate was held there than in the State of Michigan.

What types of jobs are needed in rural communities? I think you heard from a number of people about the need for employment in social services, about the need for employment in infrastructure repair and development. We would second those particular comments that have been made.

In the area of social services, for instance, four years ago, the Senate Select Committee on Nutrition and Human Needs estimated that more than 2 million old, ill, and handicapped people needed some form of assistance, and calculated that this could provide over 200,000 jobs. We would echo in this area the need for child care support and the need for health care support.

In rural communities, the EPA reported in July 1982 to have found that 63 percent of rural Americans are drinking water that is unsafe. I visited a small rural community in Mississippi not long ago. The shacks—which is just what they were—in this little subdivision had drainage ditches around the outside of them. And even while I was there, there had been a substantial rain and the water was running in the ditches, and the human feces from the subdivision was being carried away by the water in the ditches around that little subdivision.

Public works projects and rehabilitation, renovation, and repair of these kinds of facilities would create thousands of jobs while, at the same time, eliminating the most serious health hazard. As has been mentioned, bridge repair, road repair, and so forth is also crucially important to take place in rural communities and offers opportunities for jobs creation.

One that hasn't been mentioned, however, is the need for jobs in soil conservation in rural areas. A Purdue University soil erosion expert says that 40 acres of good cropland flows past the city of Memphis on its way to the sea. Our most precious resource is the land. The crop-producing topsoil of that land is being washed to the ocean. We have 413 million acres of working farmland in this country, and more than a third of that is seriously eroded; 63 million acres of public land are similar affected.

We would like to suggest that jobs can be created to stem this erosion that will also produce productive and beneficial employment.

The other job creation incentive that I would like to mention would be jobs in energy. This has been covered to some degree in previous testimony. But I would like to mention just as emphasis that poorly insulated are endemic to rural communities.

We took a look at the State of Maine and discovered that when utility bills are paid by unemployed people in Maine, they wind up with approximately $55 a week left to take care of their other family needs. For the elderly, after their energy bills are paid, they wind up with about $16 a week to take care of the remainder of their needs.

I would like to emphasize, too, that in rural communities, weatherization is a very great need. In rural communities, you find a lot of people, handyman types of people, who have the necessary skills that could be pooled very effectively to implement weatherization programs that could be quite effective.

The last I would like to mention and has also been mentioned before and that is jobs in emergency services. High unemployment and foreclosure rates in rural areas are leading to unprecedented number of people in need of emergency shelter, emergency food and counseling. We would like to suggest very strongly that provisions be made in any legislation that is passed to take care of the emergency needs that exist in rural communities.

In conclusion, let me offer two suggestions for improvement of the bill, if I might. While supporting the goals of the bill, we would like to offer two basic suggestions for improvement. One is in the area of the targeting criteria. We would recommend that individual eligibility for employment provided under the act be extended to include those who have not earned sufficient income from self-employment or part-time employment to exceed 50 percent of the allowable income under the program. There are some very interesting statistics you will find to back up that suggestion in our comments.

The second relates to eligible applicant criteria. In looking closely at the bill, we are rather concerned that there is no clear assurance in the bill that any of the funds provided would in fact go to rural communities. This is particularly true when numbers are used in formula criteria rather than percentages or the incidents of unemployment. The Rural Coalition stands ready to work with this committee on both of those provisions in terms of assisting with their improvement.

Even though we don't see this activity as a long-term solution to the problem of unemployment, it does address two critical needs faced by rural communities today. The first is that it strikes at the debilitating joblessness suffered by families in those communities. Second, it attacks many of the endemic rural problems that rural communities face day after day, problems of soil erosion, the deterioration or nonexistence of infrastructure that creates disease and poor health opportunities, strikes at the issue of bad housing, and it strikes at the long-term issue of poverty in rural areas.

Even though rural America is known for its volunteerism and its self-help attitudes, there simply are not the resources in this area or in the private sector to address the extent of the present crisis faced in rural communities.

We feel that this bill is a step in the right direction toward offering a hand up with the provision of some of those resources. We commend you for its consideration.

Thank you very much.

Mr. JEFFORDS. Thank you.

[The prepared statement of Hal Wilson follows:]

PREPARED STATEMENT OF HAROLD O. WILSON, VICE CHAIRMAN, RURAL COALITION, WASHINGTON, D.C.

I AM HAROLD WILSON, EXECUTIVE DIRECTOR OF THE HOUSING ASSISTANCE COUNCIL. AS VICE-CHAIRMAN OF THE RURAL COALITION, I THANK YOU FOR THE OPPORTUNITY TO COMMENT ON H.R. 1036, THE COMMUNITY RENEWAL EMPLOYMENT ACT. THE RURAL COALITION, WITH A MEMBERSHIP OF NEARLY 80 LOCAL, REGIONAL AND NATIONAL RURAL ORGANIZATIONS, HAS WORKED SINCE 1978 AS AN ADVOCATE, INFORMATION SOURCE, AND PROVIDER OF TECHNICAL ASSISTANCE FOR MEMBER ORGANIZATIONS AND ON BEHALF OF RURAL CONCERNS. THE COALITION WAS CREATED TO INCREASE THE IMPACT OF RURAL ISSUES AND PEOPLE IN THE NATIONAL POLICY ARENA, TO EXPAND AND INCREASE THE EFFECTIVENESS OF RURAL COMMUNITY ORGANIZATIONS, AND TO FOCUS ATTENTION ON THE NEEDS OF LOW INCOME, MINORITY AND OTHER DISADVANTAGED RURAL PEOPLE.

AS IN THE PAST, "DISADVANTAGED" RURAL PEOPLE INCLUDE A DISPROPORTIONATE NUMBER OF THE UNEMPLOYED. REVELATIONS OF RURAL POPULATION AND JOB GROWTH OVER THE LAST TEN YEARS MAY LEAD US TO LOSE SIGHT OF THE FACT THAT THE NONMETRO JOBLESS RATE HAS GROWN AT AN EVEN FASTER RATE, AND STILL OUTSTRIPS THAT OF METROPOLITAN AREAS. THE MOST RECENT STATISTICS, FOR THE FOURTH QUARTER OF 1982, REVEAL A 10.4% NONMETRO UNEMPLOYMENT RATE, .2% HIGHER THAN IN METRO AREAS. USDA'S ECONOMIC RESEARCH SERVICE (ERS) HAS CALCULATED THAT THIS RATE, ONCE ADJUSTED FOR THE PART-TIME AND DISCOURAGED JOB SEEKERS SO CHARACTERISTIC OF OUR RURAL AREAS, AMOUNTS TO APPROXIMATELY 15.5% OF THE RURAL WORK FORCE.

According to the ERS, it is important when assessing rural unemployment to adjust for discouraged job-seekers and workers who are part-time for economic reasons. Statistics on these factors are available from the ERS, and from the Current Population Survey which supplies its data. They reveal some startling trends: while the unadjusted unemployment rate increased from 5.7% in 1979 to 10.1% in 1982, ERS' adjusted rate increased from 8.5% to 14.9%. In the meantime, employment has been growing, but at a virtual creep compared to the increase in unemployment. The number of nonmetro workers increased from 29.9 million in 1979 to 30.5 million in 1981, and dropped to 30.3 million in 1982. From 1979 to 1982, workers dropped from 94% to 90% of the nonmetro labor force.

What accounts for the disproportionately high unemployment rate in rural areas, its recent increase, and the decline in nonmetro employed workers? The biggest loss in jobs has been in the manufacturing sector, from 6.8 million workers in 1979 to 6.1 million in 1982. The slump in the auto, steel, and housing industries has had a dramatic impact on rural areas, which harbor the plants for parts, the furniture, textile plants and timber industries in the South and Northwest which depend upon housing production.

But mining, farming, and other rural industries have also felt the recession's impact. For example, West Virginia, one of our most rural states, in December 1982 had a 17.8% unadjusted unemployment rate, higher than that of Michigan--in fact, the highest in the nation. Its unemployment increase since 1981 was 7.8%, 4.9% more than that of Michigan. Higher figures prevail in the home bases of farmworkers; in Texas, the jobless are now 20% in Hidalgo County, 27% in Webb, and 50% in Starr, all of which normally have a 12-15% unemployment rate. Data on foreclosures indicates that family farmers continue their steady decline into overwhelming indebtedness and eventual dispossession. With fewer completions of housing units last year than at any time since 1975, rural builders continue to close up shop. Ironically, many thousands of jobs have been lost through federal cutbacks, with rural housing program decreases alone accounting for a possible 60,400 in 1983 and 118,000 in 1984 if the Administration's proposed program decreases are adopted.

The economic bulwarks for rural areas have been the government and service sectors, whose sustained increase over the last decade has prevented the slump in employment from appearing much worse. These sectors, which depend in

LARGE PART UPON PASS-THROUGHS OF FEDERAL FUNDS, ARE NOW JEOPARDIZED BY THE PROPOSED AND ACTUAL FEDERAL CUTBACKS IN FEDERAL DOMESTIC SPENDING.

LABOR DEPARTMENT DATA TELL US THAT OF THE ROUGHLY 8 MILLION RURAL YOUTHS (AGED 16-24) ELIGIBLE TO PARTICIPATE IN THE LABOR FORCE, AT LEAST 2 MILLION ARE UNEMPLOYED OR SEVERELY UNDEREMPLOYED (ABLE TO FIND ONLY PART-TIME AND/OR SUB-MINIMUM WAGE AND/OR HIGHLY UNPREDICTABLE AND/OR SEASONAL WORK).

THE SHEER SIZE OF THIS LARGELY INVISIBLE JOBLESS ARMY SUGGESTS THAT THE FRAGILE ECONOMIC AND SOCIAL EQUILIBRIUM CHARACTERISTIC OF MUCH OF RURAL AMERICA IS AT RISK. IT SUGGESTS THAT WE CANNOT AFFORD TO POSTPONE DEVELOPING ACTION STRATEGIES AIMED AT RELIEVING THE YOUTH UNEMPLOYMENT CRISES.

PUBLIC-OPINION POLLS ROUTINELY REAFFIRM THAT MOST AMERICANS WANT OUR RURAL AREAS TO BE A SAFE REPOSITORY OF THE BASIC VALUES ON WHICH WE LIKE TO BELIEVE THE NATION WAS BUILT. WE WANT TO BE ABLE TO RETURN TO THE SOIL WHEN LIFE IN THE FAST URBAN LANE FINALLY PALLS. WE LIKE TO HEAR ABOUT SMALL-TOWN VALUES. IN OUR DREAMS, LIVING IN RURAL AMERICA REPRESENTS AN IMPORTANT OPTION, WHETHER OR NOT WE EVER DO ANYTHING ABOUT IT.

THE DREAMS ARE APPEALING. BUT, AS A NATION, WE DON'T PUT OUR MONEY WHERE OUR DREAMS ARE. WE DON'T INVEST IN THE FUTURE OF RURAL AMERICA, IN HELPING SMALL COMMUNITIES TO

DEVELOP A STABLE ECONOMY, IN HELPING THE YOUNG OF RURAL AMERICA TO TRAIN FOR AND FIND THE KINDS OF JOBS THAT WOULD MAKE IT POSSIBLE FOR THEM TO STAY, TO FLOURISH, TO CONTRIBUTE.

THE RURAL COALITION, REPRESENTING A MIX OF ORGANIZATIONS AND INDIVIDUALS FIRMLY ROOTED IN THE REALITIES OF RURAL AMERICA BUT ALSO FULLY COMMITTED TO THE DREAM, BELIEVES TODAY (WITH FRANKLIN DELANO ROOSEVELT A HALF-CENTURY AGO) THAT "OUR GREATEST PRIMARY TASK IS TO PUT PEOPLE TO WORK."

THESE ARE THE UNMISTAKABLE SIGNS OF OUR TROUBLED TIMES:

MORE THAN 10.8 MILLION AMERICANS ARE CURRENTLY OUT OF WORK. AT 9.8 PERCENT, THE JOBLESS RATE HAS NEVER BEEN HIGHER SINCE THE END OF THE DEPRESSION.

ONE OUT OF EVERY TWO JOBLESS AMERICANS IS UNDER 25. YOUNG WORKERS AND WOULD-BE WORKERS ARE BEARING THE HEAVIEST SHARE OF THE UNEMPLOYMENT BURDEN; ALTHOUGH YOUTHS (16-24) CONSTITUTE LESS THAN A FOURTH OF THE CIVILIAN LABOR FORCE, THEY ACCOUNT FOR HALF OF ALL THE UNEMPLOYED.

FOR TEENAGERS THE CRISIS IS ESPECIALLY ACUTE. THEY ACCOUNT FOR ONLY 7 PERCENT OF THE WORK FORCE BUT 20 PERCENT OF THE UNEMPLOYED. FOR WHITE TEENAGERS, THE UNEMPLPYMENT RATE STANDS AT 24.1 PERCENT; THE RATE FOR BLACK TEENAGERS STANDS AT AN APPALLING 49.7 PERCENT.

Job opportunities are especially scarce in rural America, where they are harder to find even in good times. Job openings in small businesses, traditionally, the leading source of smalltown employment, are at a 9-year low, according to the National Federation of Independent Business, which reports that only 10 percent of its members have jobs to offer.

Manufacturing jobs are also getting more scarce because of layoffs, plant closings, and automation. Management expert Peter Drucker warns that even if the economy were to turn around tomorrow, there would still be a net loss of 10-15 million manufacturing jobs over the next decade--and more than a third of them will be jobs held now by small-town and rural workers.

Farm jobs have all but disappeared in many areas, partly because of increased farm mechanization but largely because farms have suffered through three straight years of depressed commodity prices, the primary cause of increasing numbers of family-farm failures. High interest rates pose an insurmountable barrier to farmers who try to increase income by increasing acreage; jobs that might have become available through farm expansion are thus snuffed out.

Surviving family farms are in peril because more than 62 percent of them now depend on income from outside jobs to keep the family going, according to the Agriculture

DEPARTMENT. THIS IS THE HIGHEST PERCENTAGE SINCE THE DEPRESSION, AND THE MEANING OF THIS STATISTIC IS CLEARLY OMINOUS: WHEN A FARMER'S SONS AND DAUGHTERS CAN'T HELP CONTRIBUTE TO FAMILY INCOME, FORECLOSURE IS LIKELY TO BE ON THE HORIZON.

POVERTY IS ON THE INCREASE IN RURAL AMERICA, MARCHING IN LOCKSTEP WITH THE INCREASE IN YOUTH UNEMPLOYMENT. BY THE END OF 1981, 31.8 MILLION AMERICANS WERE LIVING IN POVERTY--THE HIGHEST NUMBER SINCE 1965--AND 35 PERCENT OF THEM WERE LIVING IN RURAL AREAS (ALTHOUGH RURAL PEOPLE ACCOUNT FOR ONLY 30 PERCENT OF TOTAL U.S. POPULATION); ALL OF THE NATION'S POOREST COUNTIES ARE RURAL.

ENTRY-LEVEL, MINIMUM-WAGE JOBS ARE HARDER TO FIND, BECAUSE JOBLESS OLDER WORKERS ARE COMPETING FOR THEM NOW, FURTHER CROWDING YOUNG PEOPLE OUT OF THE LABOR MARKET EXACERBATING THE RURAL POVERTY CRISIS. WHEN THE HEAD OF A FAMILY WORKS AT THE MINIMUM WAGE, OFTEN FOR LESS THAN A FULL 40-HOUR WEEK, AND NOBODY ELSE IN THE FAMILY CAN FIND WORK, THE FAMILY CANNOT ESCAPE POVERTY.

FOR YOUNG PEOPLE THERE'S NO RELIEF IN SIGHT. THE ARMY, TRADITIONALLY THE EMPLOYER-OF-LAST-RESORT FOR RURAL AMERICANS, TODAY HAS SO MANY APPLICATIONS THAT IT CAN REJECT ANYONE WITHOUT A HIGH-SCHOOL DIPLOMA, AND EVEN APPLICANTS WITH COLLEGE EXPERIENCE HAVE BEEN PUT ON WAITING LISTS. FEDERAL JOB-TRAINING PROGRAMS HAVE BEEN SHARPLY CUT BACK OR

ELIMINATED ENTIRELY, AS HAVE PUBLIC-SERVICE EMPLOYMENT PROGRAMS.

OTHER RURAL PROGRAMS THAT HAVE BEEN NOTABLY LABOR-INTENSIVE (SUCH AS FARMERS HOME ADMINISTRATION HOUSING AND ECONOMIC-DEVELOPMENT SUBSIDY PROGRAMS) HAVE SUFFERED THE SAME FATE. SOCIAL SERVICE PROGRAMS, WHICH CREATED MANY JOBS FOR YOUNG PEOPLE, HAVE GENERALLY BEEN ROLLED INTO BLOCK GRANTS AT REDUCED FUNDING LEVELS; MOST STATES FUNNEL A DISPROPORTIONATE SHARE OF THEIR LIMITED RESOURCES INTO URBAN AREAS.

THE PRIVATE SECTOR CAN'T POSSIBLY PICK UP ALL THE SLACK. CORPORATE PROGRAMS AND "VOLUNTARISM" CAN RELIEVE SOME OF THE STRAIN SOME OF THE TIME IN SOME COMMUNITIES, BUT THE PROBLEM IS TOO LARGE, TOO ENTRENCHED, AND TOO LONG-TERM TO BE DEALT WITH PIECEMEAL.

FORMER LABOR SECRETARY WILLIARD WIRTZ POINTS OUT THAT EVEN IN A SO-CALLED FULL-EMPLOYMENT ECONOMY, "THERE WOULD STILL BE A 20 PERCENT UNEMPLOYMENT RATE AMONG WHITE YOUTHS AND 40 PERCENT AMONG BLACK YOUTHS." FOR YOUNG PEOPLE GENERALLY, AND ESPECIALLY YOUNG PEOPLE GROWING UP TODAY IN RURAL AMERICA, THE STARK, SIMPLE FACT IS THAT FOR YEARS TO COME THERE WON'T BE ENOUGH JOBS.

The Rural Coalition therefore wholeheartedly endorses the purpose of the proposed Community Renewal Employment Act. We welcome the emphasis on repair of public facilities, conservation and reclamation, and public safety and health, including emergency food and shelter activities desperately needed in areas of high umemployment. In particular, we favor:

Jobs in soil conservation. A Purdue University soil erosion expert has remarked "forty acres of good corpland floats past Memphis every hour," using the silt in the Mississippi to illustrate the grim fact that we are relentlessly squandering our most basic resource: the land.

The United States has 413 million acres of working farmland. The Department of Agriculture estimates that roughly 144 million acres--more than a third of the total--are seriously eroded. Some of that erosion could be controlled with different tilling techniques, but much requires more heroic measures. The Interior Department estimates that 63 million acres of public lands are similarly afflicted. The Corps of Engineers says that 3.5 million miles of stream banks need treatment; the banks of the Ohio alone lose nearly 12 million tons of soil to erosion every year.

"We are at the point where we have to act now for the next generation," the director of Missouri's Department of Agriculture tells Newsweek. But we are not acting.

USDA's Forest Service says that more than 10 million acres of national forest need replanting or rehabilitation. The nation needs to plant trees by the hundreds of millions--as windbreaks in shelterbelts, along stream banks, in parks and recreation areas, along highway rights-of-way, and adjacent to working farmland. It's labor-intensive work. But no program exists to do it, not even on the drawing boards.

Jobs in parkland preservation. Our parks are scuffed, worn, battered, abused. Deterioration of facilities in our national parks--most of them developed by the nation's most successful youth jobs program, the Civilian Conservation Corps, in the 1930s--has been well publicized recently.

But the nation also has more than 35,000 state, county, and municipal parks. In an admittedly rough estimate, the Labor Department calculates that at least half of them need an average of five more full-time people apiece, just to keep up with basic maintenance. That would be 100,000 new jobs right there.

That estimate doesn't take into account the need for park rehabilitation and expansion--nor the need to create new parks, playgrounds, and other recreation areas in

AMERICA'S COMMUNITIES. HOW GREAT IS THAT NEED? NOBODY KNOWS, PRECISELY, BECAUSE THERE HAS BEEN NO EFFORT TO UNDERTAKE A COMPREHENSIVE NATIONWIDE "INVENTORY OF NEED." WHAT WE DO KNOW IS THAT THE NEED IS GREAT AND NOT BEING MET. NOWHERE IS THIS MORE CLEAR THAN IN RURAL AMERICA.

SOME 80 PERCENT OF THE MUNICIPAL GOVERNMENTS IN RURAL AMERICA SERVE POPULATIONS OF LESS THAN 2,500. AS UNEMPLOYMENT INCREASES AND THEIR TAX BASE SHRIVELS, THEY CANNOT MANAGE EXPENDITURES TO CREATE NEW COMMUNITY-IMPROVEMENT PROJECTS NOR, IN MOST CASES, TO MAINTAIN EXISTING ONES.

JOBS IN SOCIAL SERVICES. FOUR YEARS AGO THE SENATE SELECT COMMITTEE ON NUTRITION AND HUMAN NEEDS ESTIMATED THAT MORE THAN 2 MILLION OLD, ILL, AND HANDICAPPED PEOPLE NEED HOME ASSISTANCE--AND CALCULATED THAT PROVIDING IT WOULD CREATE 200,000 JOBS. A DISPROPORTIONATELY HIGH NUMBER OF THE NEEDY LIVE IN RURAL AREAS, AND A SIGNIFICANT NUMBER OF THOSE NON-EXISTENT BUT NEEDED JOBS COULD BE FILLED BY RURAL PEOPLE.

JOBS IN INFRASTRUCTURE REPAIR. A CONGRESSIONALLY MANDATED STUDY BY EPA WAS REPORTED IN JULY OF 1982 TO HAVE FOUND THAT 63% OF RURAL AMERICANS ARE DRINKING WATER THAT COULD BE UNSAFE, DUE TO INADEQUATE OR DECAYING WATER AND WASTE DISPOSAL FACILITIES. PUBLIC WORKS PROJECTS AND REHABILITATION, RENOVATION AND REPAIR OF COMMUNITY

FACILITIES WOULD CREATE THOUSANDS OF JOBS WHILE ADDRESSING A SERIOUS PROBLEM WHICH OTHERWISE WOULD SIMPLY GROW WORSE AND MORE EXPENSIVE TO SOLVE. SIMILARLY, BRIDGES, ROADS, RAILROADS, AND PORTS ARE FALLING INTO THE STATE OF CRITICAL DISREPAIR THROUGHOUT THE NATION, AND OFFER A GREAT OPPORTUNITY FOR JOB CREATION THROUGH LOCAL PROJECTS.

JOBS IN HOUSING. RURAL AREAS HAVE APPROXIMATELY 2 MILLION SUBSTANDARD HOMES, AND AN ADDITIONAL NEED FOR 800,000 FARMWORKER HOUSING UNITS. IN THE BEST OF TIMES, THEY LACK THE BUILDERS AND OTHER PROFESSIONALS TO PRODUCE WHAT'S NEEDED; HOWEVER, THEY DO HAVE THOUSANDS OF SEMISKILLED HANDYMEN WHOSE ABILITIES COULD BE POOLED IN COMMUNITY TEAMS FOR HOUSING REHAB, OR FOR CONVERSION OF EXISTING STOCK TO FARMWORKER UNITS.

JOBS IN ENERGY. POORLY INSULATED HOMES ARE ENDEMIC TO RURAL AREAS, AND UTILITIES COSTS HAVE BECOME AN INSURMOUNTABLE BUDGET PROBLEM FOR MANY LOW-INCOME RESIDENTS. IN MAINE, FOR EXAMPLE, THE UNEMPLOYED HAVE A WEEKLY BALANCE OF $55 AFTER PAYING FOR WINTER FUEL; THE ELDERLY HAVE A REMAINING WEEKLY BALANCE OF $16. LOW-INCOME WEATHERIZATION, HIGHLY LABOR-INTENSIVE, MEETS A NATIONAL NEED BY IMPROVING ENERGY EFFICIENCY, REDUCING DEPENDENCE ON IMPORTED OIL, AND PERMANENTLY CUTTING ENERGY BILLS FOR LOW-INCOME AMERICAN HOUSEHOLDS. IT ALSO REDUCES THE CHANCES FOR A RETURN TO THE ENERGY-LED SPURTS OF INFLATION EXPERIENCED AFTER 1973-74 AND

1979. SOLAR ENERGY, CONSERVATION SCHOOL AND HOSPITAL WEATHERIZATION ALSO HAVE IMPORTANT EMPLOYMENT GENERATING POTENTIAL.

JOBS IN EMERGENCY SERVICES. HIGH UNEMPLOYMENT AND FORECLOSURE RATES IN RURAL AREAS ARE LEADING TO AN UNPRECEDENTED NUMBER OF PEOPLE IN NEED OF EMERGENCY SHELTER, FOOD, AND COUNSELING. WE ARE SEEING FAMILIES EVICTED FROM FARM AND HOME; WE ARE SEEING FAMILIES FACED WITH FORECLOSURE PROCEEDINGS WHO DO NOT UNDERSTAND THE RESOURCES AVAILABLE TO THEM, OR WHO ARE SEVERELY DEPRESSED WITH THEIR FIRST ENCOUNTER WITH THE PROSPECT OF WELFARE. WE ARE SEEING ABANDONED WOMEN STRUGGLING TO MEET MORTGAGE PAYMENTS, AND BATTERED WIVES SEEKING TEMPORARY SHELTER. MUCH NEEDED SERVICES INCLUDE PREVENTATIVE COUNSELING ON BUDGET MANAGEMENT, MARITAL RELATIONSHIPS, AND JOB-SEEKING; REFERRALS TO LEGAL AID, MENTAL HEALTH AND EMPLOYMENT SERVICES; AND HOMESHARING SERVICES WHICH MATCHED HOMEOWNERS WITH TENANTS WHO MAY PROVIDE SERVICES IN RETURN FOR ROOM AND/OR BOARD. PROFESSIONAL HELP IS NEEDED, BUT THERE ARE ALSO AWAITING IN THE SERVICE SECTOR MANY MODEST AND USEFUL JOBS FOR THE RELATIVELY UNSKILLED, IN PROVIDING TRANSPORTATION FOR THE DESPERATE OR THE ELDERLY, IN MONITORING HOTLINES, OR IN SIMPLE CLERICAL WORK.

WHILE SUPPORTING THE GOALS OF THE BILL, WE WOULD SUGGEST SOME IMPROVEMENTS IN ITS PROVISIONS WHICH COULD BE

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OF VITAL IMPORTANCE TO RURAL COMMUNITIES, PARTICULARLY THOSE DOMINATED BY AGRICULTURE. ELIGIBLE APPLICANTS ARE THOSE WHO HAVE BEEN UNEMPLOYED FOR A PERIOD OF TIME. THE BILL'S DEFINITION OF "UNEMPLOYED" APPEARS TO EXCLUDE FARMERS, HOWEVER POOR, OTHER INDIGENT SELF-EMPLOYED, PART-TIME WORKERS WHO NEED FULL-TIME JOBS, AND FARMWORKERS.

ACCORDING TO A SURVEY TAKEN BY THE AGRICULTURE CENSUS IN 1979, OUT OF 2.354 MILLION FARMS SURVEYED, 1.228 MILLION OR 52% REPORTED SOME OFF-FARM WORK BY EITHER THE FARM OPERATOR OR SPOUSE, OR BOTH. THE OPERATOR HAD OFF-FARM WORK IN 578,000 CASES; THE SPOUSE IN 191,000 CASES, AND BOTH IN 460,000 CASES. MOST OF THOSE WITH SECOND JOBS WERE IN THE LOWEST FARM INCOME CATEGORY ANALYZED, AND MOST OF THESE WERE INVOLVED IN "CRAFTSMEN" WORK, INCLUDING CARPENTRY. THEIR SKILLS WOULD APPEAR TO BE APPROPRIATE, THEN, FOR LOCAL PROJECTS INVOLVING SEMISKILLED LABOR.

WE WOULD RECOMMEND, THEREFORE, THAT INDIVIDUAL ELIGIBILITY FOR EMPLOYMENT PROVIDED UNDER THIS ACT BE EXTENDED TO INCLUDE THOSE WHO HAVE NOT EARNED SUFFICIENT INCOME FROM SELF-EMPLOYMENT OR PART-TIME EMPLOYMENT TO EXCEED 50% OF THE ALLOWABLE INCOME UNDER THIS PROGRAM. CORRESPONDINGLY, ELIGIBILITY OF APPLICANT JURISDICTIONS COULD BE DETERMINED BY ERS DATA ON ADJUSTED UNEMPLOYMENT RATES, WHERE AVAILABLE, AND BY EXTREME INCREASES IN UNEMPLOYMENT, EVEN IF TOTAL UNEMPLOYMENT IS NOT OVER 9%.

(THIS WOULD PERMIT A NUMBER OF AGRICULTURAL AREAS, WHOSE UNEMPLOYMENT RATES HAVE ALWAYS APPEARED LOW BECAUSE OF THE SELF- AND PART-TIME EMPLOYED RESIDENTS, BUT WHICH HAVE SUFFERED DRAMATIC DECREASES IN EVEN THESE UNSATISFACTORY JOBS, TO QUALIFY FOR ELIGIBILITY). FINALLY, WE WOULD RECOMMEND THAT ELIGIBLE AREAS NOT BE RESTRICTED TO LARGE CITIES, AREAS WHICH ARE INCLUDED IN THE CONCENTRATED EMPLOYMENT PROGRAM, INDIAN TRIBAL AREAS, AND STATE DISCRETIONARY AREAS. MOST RURAL AREAS, EVEN THE POOREST OR THOSE SUFFERING THE MOST UNEMPLOYMENT, ARE NOT INCLUDED IN THE CONCENTRATED EMPLOYMENT PROGRAM BECAUSE OF ITS POPULATION REQUIREMENTS. THE OTHER RURAL AREAS COULD UNDER YOUR BILL FALL WITHIN ALLOCATIONS TO STATES, BUT THIS SHARE IS NOT PROPORTIONATE TO THE NONMETRO SHARE OF UNEMPLOYMENT--31% IF THE UNADJUSTED RATE IS USED, AND MORE IF ADJUSTED FOR THE DISCOURAGED AND PART-TIME WORKERS SEEKING FULL TIME JOBS. WE WOULD SUGGEST, THEREFORE, THAT THE COMMITTEE CONSIDER MAKING JURISDICTIONS ELIGIBLE SIMPLY ON THE BASIS OF INCIDENCE OF UNEMPLOYMENT AND INCREASE IN EMPLOYMENT FACTORS, WITH A SET-ASIDE OF A THIRD OF THE FUNDS FOR NONMETRO APPLICANTS.

THANK YOU FOR CONSIDERATION OF OUR COMMENTS ON THIS MUCH NEEDED PIECE OF LEGISLATION.

Mr. **Jeffords**. I want to thank all of you for your very, very excellent statements. I know you have said most everything that the chairman and I would agree with.

I will not go into too much depth with my questions. I would ask Ms. Blank one question. I wonder if anyone is making a study to see as to who is finding themselves in need of the soup kitchens? I found that in my area it was mostly being utilized by welfare recipients rather than by the unemployed. That concerns me for a couple of reasons—one, that we perhaps are not supplying enough for the welfare recipients; and second, if we are trying to direct our efforts toward unemployed people who have nutritional needs, are we actually serving them.

Ms. **Blank**. One of the things that concerns us is that we have seen welfare recipients in soup kitchens. I think that in many cases that reflects the woefully inadequate—such as in Mr. Jeffords' State of Vermont and Mr. Hawkins' State of California—levels of welfare benefits and cuts in food stamp and child care food programs. That is one reason that you see welfare recipients.

One of the things that we are interested in doing is getting the Child Watch volunteers who are still out there doing some hard looking at who is in soup kitchens. We have not heard that they are predominantly welfare recipients. But we are going to add some questions to our Child Watch manual and have some of the volunteers look at that question specifically.

Mr. **Jeffords**. Dr. Britton, you certainly elaborated very well the serious needs in this country with respect to our school systems. It is unfortunate that we find ourselves faced with the kind of fiscal restraints we do, not only in this body but throughout the Nation, when we are finding our most critical need is basic education and a good educational system.

I am glad that you did emphasize the large amount of things that could be done to put a large number of people to work.

What I am concerned about is that we have got to, with respect to the limited resources—in looking out for the needs of the unemployed. we have to do those things which are very labor intensive rather than capital intensive.

I wonder, for instance, if we to target programs in your area such that we provided money for labor and ask cities and States to provide the bricks and mortar, would that be an acceptable situation, or would you have no money for bricks and mortar?

Mr. **Britton**. That is, first of all, probably the serious issue, the dollars for the capital outlay themselves. That is why we are looking for, both from our State and local sources and now the Federal sources, any money for the bricks and mortar. The people portion, we are trying, through our vocational programs, employability skill programs, job targeting training programs, to get people ready for the jobs.

Mr. **Jeffords**. Thank you.

Mr. Hawkins.

Mr. **Hawkins**. I, too, would like to commend all of the witnesses for very excellent statements. We are almost in complete agreement, I think, Mr. Jeffords and myself, with what has been said.

Let me ask you, Mr. Wilson, for some clarifications on the two suggestions that you made with respect to targeting. Obviously, I agree with Mr. Jeffords that we are operating in a context whereby we always start out by saying that we only have limited resources and we have got to use them effectively. That seems to be the starting point on which most of the committees operate. Why it should be, I don't know. We always seem to locate resources for the things we think we want to do, but as it affects human beings, we seem to come up short all of the time.

But quite apart from that and being realistic, the reason for the targeting in H.R. 1036, obviously, is to take care of the neediest cases first. You made one suggestion that the bill should include those who have not earned sufficient income from self-employment or part-time employment to exceed 50 percent of the allowable income under the program.

Have you any idea how many persons we are really talking about, and how would you compare this class of individuals with those who have been unemployed 15 weeks or longer?

Mr. **Wilson.** I think that in our comments, we point to the agricultural census that was taken in 1979. We mentioned that out of 2.3 million farms surveyed—if we could talk about the farm population for just a moment—1.2 million, or 52 percent of those, reported some kind of off-farm work, and in order for them to remain on their farms in some kind of viable farming operation, it was crucial for them to have off-farm employment as well. Most of those with second jobs were in the lowest farm income category analyzed, craftsmen, carpentry and local shop kinds of activities.

Many of those have lost those part-time jobs and are unable to continue because they can't earn enough with their farm income. We feel that they ought to be recognized in some way.

Also, I think we may be able to come up with a number for you from rural areas particularly of part-time people who are earning so little that they can't make ends meet. We will try to provide that number for you.

I think that if we are going to have any kind of impact with a jobs program on rural communities, we have got to look at that segment of our population as well, because rural people, in many instances, string a few jobs together in order to make their ends meet. I can't give you the number right now, but I can tell you that, because of other problems faced in rural communities, the lack of infrastructure, the bad housing that very often goes along with being poor in rural America, the lack of opportunities for education, and so forth, when you get an income that is significantly low, then these people are extremely bad off.

Mr. **Hawkins.** How are they now classified? Are they included in the official unemployment rate?

Mr. **Jeffords.** Mr. Chairman, if I could interrupt just briefly, I just got word that I am going to be up on the House floor momentarily on the jobs bill. I am sorry, but I must leave now. I am very sorry I cannot hear the next witness.

Mr. **Hawkins** [presiding]. Thank you, Mr. Jeffords for assuming the Chair in the chairman's absence. Good luck on your presentation. I am sorry I can't hear it.

Mr. **Wilson.** Mr. Chairman, I understand that they are not.

Mr. **Hawkins.** I see.

These are some of the difficulties we have in drafting a bill, to identify them and to define them in such a way as to permit their inclusion. There is no question they should be included. I don't think there is any disagreement on that.

I think the problem also arises in connection with the other suggestion about making a definition of making them applicable in any eligible area. That is why I think they are thrown into the State's share as a means of including them and also for realistic reasons to make sure that areas are sufficiently large enough to operate programs effectively.

Mr. WILSON. I guess our concern was, though, that when they are thrown into the State's share, when looking at numbers rather than percents in terms of impact, that it is possible that those funds could be used in places within a State other than the rural communities, where there may be in fact 50 or 75 percent unemployment but the numbers are simply not there in the aggregate to warrant allocations from the State, for instance.

We think that that area at least ought to be looked at by the committee and offer to provide some assistance in looking at that, if we could.

Mr. HAWKINS. I assure you that it will be studied and efforts will be made to refine the definitions.

Mr. WILSON. Mr. Chairman, could I respond also to the question by Mr. Jeffords about labor-intensive activities a few moments ago?

Mr. HAWKINS. Sure.

Mr. WILSON. I think there is a particular rural applicability to that and a real benefit, particularly in the area of housing.

In the area of housing, there are some resources that are available for bricks and mortar types of materials. However, very often, the housing that is built in that manner becomes too expensive for low-income people to afford or to participate in its renovation.

In many areas of the country, enterprising nonprofit corporations have used assisted and subsidized labor activities to reduce the cost of housing significantly enough so that low-income people can have their homes renovated or can even, in some cases, have new houses built. I would like to suggest that this would be a very important eligible activity under this program. It would be labor intensive, and it would also provide a long-term benefit for a low-income family in rural areas.

Mr. HAWKINS. Certainly the committee, I think, is concerned about the subject matter of the witnesses today. However, we operate under two serious problems, and I think the testimony of the witnesses does assist in removing what I would say the main opposition or the main points in terms of those two big issues that are raised in considering such proposals before this committee today.

One is that the committee has been guilty of sponsoring such job opportunities as has been suggested. Particularly, Ms. Blank, in your testimony when you get to talking about visiting nurses, nutritionists, outreach workers, and so forth, we are getting into an area that has been primarily opposed on the basis that this is make-work rather than the jobs that are being created by public works.

I see you smiling, and I think you should be smiling. It sounds rather silly to be accused of make-work in areas such as that, but that is one of the problems that we have as we attempt to provide jobs and services as well as in public works. That is a serious problem. I think that the witnesses have dealt with that very well today.

The other great problem is that the jobs we are suggesting in some way add to the deficit, and the deficit seems to be not the means to an end but has become the end itself. As we go through the exercise of trying to pass these bills, that is a problem.

I think that not a single one of the witnesses before us, at this time, would dare suggest that what they are suggesting is in any way adding to the deficit—I think I am correct—but in each instance, it is, in effect, relieving the deficit. It is the other way around. I think, to that extent, the witnesses have done an excellent job.

Ms. Morgan-Hubbard, you mentioned a study commissioned by the Joint Economic Committee. As a member of that committee, I am not familiar with that study. Could you identify or have you the means of identifying that study, when it was made, and under what title?

Ms. MORGAN-HUBBARD. I may not have the exact reference here, but I will be sure to get it for you.

Mr. HAWKINS. It may help us in leading the Joint Economic Committee in a much more healthful direction than in what I think it is being led now.

[The information follows:]

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1st Session }

EMPLOYMENT IMPACT OF THE SOLAR TRANSITION

A STUDY

PREPARED FOR THE USE OF THE

SUBCOMMITTEE ON ENERGY

OF THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

APRIL 6, 1979

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LETTERS OF TRANSMITTAL

MARCH 30, 1979.

To the Members of the Joint Economic Committee:

Transmitted herewith for the use of the Joint Economic Committee and other Members of Congress is a study written for the Subcommittee on Energy and the Special Study on Economic Change entitled "Employment Impact of the Solar Transition," prepared by Leonard S. Rodberg.

This study is the first of two Joint Economic Committee studies to be released as part of the subcommittee's continuing exploration of the relationship between energy and employment and the SSEC's long-range analysis of the Nation's economy.

The views expressed in this study should not be interpreted as representing the views or recommendations of the Joint Economic Committee or any of its members.

Sincerely,

LLOYD BENTSEN,
Chairman, Joint Economic Committee.

MARCH 23, 1979.

Hon. LLOYD BENTSEN,
Chairman, Joint Economic Committee, Congress of the United States,
Washington, D.C.

DEAR MR. CHAIRMAN: I am pleased to transmit herewith a study prepared for the Subcommittee on Energy and the Special Study on Economic Change entitled "Employment Impact of the Solar Transition." This study was written by Leonard S. Rodberg of the Community Energy Project, Public Resource Center.

Mr. Rodberg shows that the United States can expect a substantial employment payoff from an energy policy which stresses energy conservation and solar energy. If the Nation moves toward a high degree of energy productivity and a major reliance upon renewable energy, both of which are relatively labor intensive, we will achieve a noticeable reduction in unemployment. The net job creation in the year 1990 of a conservation and renewable energy strategy could reach 2.9 million jobs, according to Mr. Rodberg. Fuel consumption could be reduced by 45 quadrillion Btu's, a savings of $118.8 billion.

The author uses projections made by the Bureau of Labor Statistics to show where jobs would be created in the economy. A significant finding is that without a higher level of energy productivity we will be forced to accept a continued high rate of unemployment. Thus, a conservation and renewable energy strategy is integral to any successful full-employment strategy.

Achieving the ambitious energy and employment goals set forth in this paper will require a major Federal commitment. Both regulatory and financial mechanisms must be tapped to give energy users incentives to move away from an excessive reliance upon nonrenewable forms of energy. Easier access to credit for conservation and solar investments, for instance, would greatly aid in realizing the goals.

The findings of this study, of course, are those of the author and do not necessarily coincide with the views of the members of the Subcommittee on Energy.

Sincerely,

EDWARD M. KENNEDY,
Chairman, Subcommittee on Energy.

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EMPLOYMENT IMPACT OF THE SOLAR TRANSITION

(By Leonard S. Rodberg*)

SUMMARY

Faced with the increasing scarcity of oil and gas, the safety and environmental problems associated with coal and nuclear energy, and the rising price of all these nonrenewable fuels, the Nation is giving increasing attention to the conservation of energy and the use of solar energy in its various forms (solar heating and electricity, wind, biomass). In this study we estimate the impact on employment of the widespread introduction of energy conservation and solar energy measures, by envisioning a future in which there has been extensive investment in them and by using economic projections to estimate the employment resulting from such spending.

Conventional projections of energy consumption foresee aggregate U.S. energy demand doubling by the turn of the century. Over three-fifths of all energy use takes place in the industrial and commercial sectors, yet the major consumers of energy employ relatively few workers. This rise in energy consumption will be accompanied by a continuing shift in employment from the goods-producing to the service-producing sectors of our economy. New energy-related jobs, in these "business as usual" projections, will be few in number and will require worker migrations and social dislocations.

We examine an alternative scenario having a strong emphasis on energy conservation and solar energy. For residential and commercial uses, we postulate the introduction of rigorous insulation measures, improved equipment efficiency, the use of passive solar designs, and the installation of active solar water and space heating; for industrial uses, we assume more energy-efficient industrial practices, cogeneration of electricity as a byproduct of heat and steam production, and the use of solar collectors and solar-powered heat engines; for transportation, we assume increased automotive efficiency and use of mass transportation; for portable fuels, we assume production of methane and alcohol from biomass wastes; and for electricity production, we assume the use of photovoltaic cells, wind-powered generators, and solar-powered engine-generator systems.

For each of these measures, we assume a set of national goals to be achieved by the year 2000 and estimate the measure's cost per unit of energy saved each year after it is introduced. We postulate that investment in conservation and solar energy builds up over a 5-year period preceding 1985, with a constant level of investment thereafter.

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* Director, Community Energy Project, Public Resource Center, 1747 Connecticut Ave., NW, Washington, D.C., and Visiting Scholar, Columbia University, New York, N.Y.

The employment generated by this investment is determined from economic projections and input-output tables developed by the Bureau of Labor Statistics of the U.S. Department of Labor. For the year 1990, we find an annual investment (in 1978 dollars) of $65.6 billion, 13 percent of the BLS projection for gross private domestic investment. This investment will create 2,170,000 jobs producing and installing conservation and solar measures and the components and raw materials they contain. One-quarter of the investment and jobs are in energy conservation, three-quarters in solar energy.

The introduction of these measures leads to very significant savings of nonrenewable fuels, reducing their consumption by 44.9 quads in 1990. Total energy consumption that year, including solar energy, is 76 quads, just about equal to the total consumption in 1977. One-half the saving is achieved through energy conservation, one-half through the use of solar energy.

These savings allow projected spending on nonrenewable fuels to be reduced by $118.8 billion in 1990, leading to 1,137,000 fewer jobs in the fuel-producing and electric generating industries. If these dollar savings are spent on other goods and services, an additional 1,870,000 jobs will be created in other industries. In net, 2,903,000 jobs will be created in this scenario, as compared to the "business as usual" projection. These jobs will tend to be dispersed widely across the country and can especially contribute to solving the chronic employment problem facing our urban areas. The emphasis on conservation and solar energy will also cause shifts in housing and land use patterns, inducing more compact communities and low-rise buildings.

The employment benefits and fuel savings can be achieved only if there is substantial investment in energy conservation and solar energy. This may require mandatory Federal standards and new financing mechanisms. Conservation and solar measures are purchased by the users of energy rather than the current energy producers. Since the user's investment is compared with the *average* cost of energy, while the supplier deals with the *replacement* cost of new facilities, which has been rapidly increasing, the user's decision tends to be weighted against the purchase. To overcome this, some alternative financing arrangement, such as federally backed, long-term, low-interest loans, may be necessary.

INTRODUCTION

Since World War II, American consumption of energy has tripled. [1] Total automotive horsepower increased seven-fold, home heating systems converted from coal to oil and then to natural gas, energy-consuming air conditioners and home appliances became commonly available, new commercial buildings incorporated artificial, energy-wasteful environments, airline travel expanded, and thousands of miles of highways were constructed. Overall energy consumption rose exponentially, climbing at a rate of 3.5 percent per year. Fossil fuels were consumed as if their supplies were limitless. Of course, they are not, and we now face the task of undoing the damage wrought in this 25-year binge.

AN END TO EXPONENTIAL GROWTH

Beginning in 1970, domestic production of oil and gas began to fall. The natural limits on such nonrenewable fuels began to make themselves felt. The periodic winter gas shortages, the brown-outs, and the 1973 oil crisis are all symptoms of the dilemma we face, addicted to fuels whose supply is running out. With rapidly rising prices and diminishing reserves, we have to begin a comprehensive transition in the energy we use and the way we use it.

One approach which has strong support is through the expanded use of coal and nuclear energy, including the gasification and liquefaction of coal. However, both of these energy sources impose significant external costs. The extraction of coal, whether from underground mines or from the stripmining of near-surface veins, has serious deleterious effects on land, water, and agriculture; the conversion of coal to gas and liquid fuels consumes vast amounts of increasingly scarce water; and the burning of growing quantities of coal can have disastrous climatologic and health consequences. [2]

Likewise, the increasing use of nuclear energy poses a wide variety of serious social problems. With the growth of the nuclear power industry will come a significant likelihood of a reactor meltdown, with potentially catastrophic consequences for nearby population centers. Problems of waste disposal remain unsolved. Safety and environmental pollution difficulties are serious. The danger of nuclear weapons proliferation as a result of the widespread availability of plutonium and enriched uranium are fearsome. And, finally, the security measures necessary to avoid theft and sabotage could severely restrict our liberty. [3]

In the face of these mounting problems, an alternative must be sought. Such a policy would address the combined effects of declining supplies of oil and gas, higher fuel prices, dependence on imported oil, and worsening ecological problems in an environmentally benign and economically efficient manner. It would emphasize the conservation of energy and the replacement of the nonrenewable fuels with renewable energy sources, primarily solar energy. These so-called "soft technologies" would adapt energy production more closely to needs of the particular end use, rather than producing energy uniformly in a centralized facility. [4] They would include increased end-use efficiency, active and passive solar heating and cooling on individual buildings and neighborhood units, fuel production from biomass sources and wastes, and dispersed on-site photovoltaic and wind powered electric generation.

Advocates of the coal and nuclear route, with its implication of continued energy growth, argue that this approach, in spite of its potential costs, is essential for economic growth. As one advocacy group put it, "Growth in energy use is necessary to our national prosperity and to provide the jobs that are needed today * * * the relationship between energy availability and jobs is direct and inevitable." [5] Clearly, many people still believe that continued growth in our consumption of energy, and especially of the nonrenewable fuels—oil, gas, coal and uranium—is still essential if every American is to have a chance at the good life.

We will show in this paper that this view is not correct. We will demonstrate that it is possible to produce the same goods and services, and to achieve a higher GNP, by emphasizing the conservation of energy and conversion to renewable energy sources. Conservation and renewable energy can be major growth industries in the decades ahead, contributing both to the health of our economy and our citizenry. Introduction of a broad range of currently feasible conservation measures can simultaneously cut the consumption of rapidly depleting energy resources and create hundreds of thousands of new jobs. The expansion of solar energy programs can create a permanent substitute for declining reserves of non-renewable fuels and add millions of new jobs, particularly in urban areas where they are desperately needed. It can also reduce the outflow of dollars for imported oil and curb the inflationary effects of rapidly rising fuel prices. [6]

THE CONTINUING SHORTAGE OF JOBS

The United States continues to experience a failure to provide enough jobs for its citizens, especially for minority groups who suffer the highest rates of unemployment. In 1978 the unemployment rate still stood at 6 percent, with black unemployment at 12 percent and teenage unemployment at 16 percent; "disguised unemployment" makes the real situation twice as bad. Economists do not see any prospect for an early improvement in this poor economic performance, and many foresee a downturn in the coming months which will make this situation even worse.

Many analysts argue that energy growth is crucial to a reduction in unemployment. In reality, the purpose of what we commonly call "energy" is to reduce the need for human labor, exacerbating the problem of providing jobs for a growing labor force. Industry has increased its output by drawing on the apparently limitless supplies of fossil fuels while shrinking its labor force. As the Congressional Office of Technology Assessment has commented, "The national energy policy of the last several decades has been to replace human labor as rapidly as possible with petroleum energy." [7] Thus the same practices which are creating the energy shortage have also been responsible for the shortage of jobs.

The ready availability of cheap energy has reduced employment opportunities in the energy-consuming industries and led to a continuing displacement of workers onto an uncertain job market. The energy industry itself cannot take up the slack; it employs a small proportion (historically, about 2 percent) of the labor force, and energy-related employment has not been growing. Both producers and users of energy have taken advantage of the ready availability of inexpensive energy supplies to introduce highly automated, energy-consuming production techniques, reducing employment per unit of output first in agriculture, then in manufacturing, and, most recently, in the service sector. The economy has not grown because of rising energy consumption, but in spite of it. Total employment has increased because the total output of goods and, especially, of services has increased and overcome the "labor-saving"—that is, employment-reducing—effects of rising energy usage.[1] [8]

The Nation thus faces two difficult but related problems, the continuing shortage of jobs and the coming shortage of energy. The purpose of this paper is to show, with a specific plan, how large-scale investment in conservation and solar energy can contribute to the resolution of both problems. Most projections show only slow growth for the renewable energy technologies. However, these projections tend to be self-fulfilling prophecies. By assuming slow growth, they inhibit investment and thus insure slow growth. We present a positive scenario that examines the implications of rapid growth, to stimulate discussion and interest in this possibility.

The slow-growth scenario is favored by many economists who view the introduction of solar energy at this time as economically "inefficient." They argue that, at current fuel prices, interest rates, and lending terms, the average consumer would, in many cases, experience higher annual costs for energy through such a purchase. However, when viewed from the perspective of national resource use, such reasoning is shortsighted. The results of this study show that, within a few years after the onset of substantial conservation and solar investment, the savings from reduced use of nonrenewable fuels will far exceed the investment, allowing funds to be shifted from energy into the purchase of other goods and services. The solar transition *is* economically "efficient."

In Part A we contrast the conventional projections of energy use and employment with the conclusions we reach assuming large-scale investment in alternative energy approaches. The reader interested in the detailed computations for this alternative approach will find these in Part B.

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[1] Economists often argue that such "labor-saving" measures increase economic "efficiency" by freeing workers to perform other necessary tasks. However, when the economy is not able to provide jobs for all who need them, and when energy supplies are limited, the opposite is true. If the workers who are displaced cannot find employment, they must be supported by unemployment insurance and welfare while being economically unproductive; those who do find employment will consume additional energy in their new jobs, thus accelerating the depletion of scarce energy resources.

Part A. OVERVIEW AND CONCLUSIONS

1. Baseline Projections: Business as Usual

Conventional projections of energy consumption assume that the past relation between gross national product and energy consumption will continue into the future. Recently they have been assuming a rise in the price of the nonrenewable fuels and, as a consequence, a slightly less rapid rise in demand for energy.

Until about 4 years ago, most projections of energy demand envisioned an aggregate demand by the year 2000 of 190 quads[1] per year, 2½ times our current consumption. Now, with evident signs of a decline in the rate of energy growth, projections are beginning to show more moderate increases. A "consensus" prepared by the Edison Electric Institute calls for consumption of about 150 quads in the year 2000, twice our current usage. [9] They assume continuing growth at a rate of about 3.0 percent per year, somewhat less than the pre-1973 growth rate of 3.5 percent but still a continuation of exponential growth. In spite of clear signs of an approaching price and supply crunch, they continue to assume that energy consumption will grow exponentially out to the next century. [10]

These "business as usual" projections of energy consumption assume that past practices will continue into the future and that new supplies of the energy sources we use today—coal, oil, natural gas, and uranium—will be discovered as current sources are depleted. They assume that alternative sources of energy—solar heating and cooling, wind power, etc.—will play a small role during this period, and they foresee an ever-growing consumption of the nonrenewable energy sources. As oil and natural gas become increasingly scarce and expensive, they forecast a shift to coal and nuclear energy and, especially, to electricity produced by these fuels.

In this study we will use, as our reference base, an energy projection prepared by Data Resources, Inc., for the period 1977–90 using macroeconomic assumptions developed by the Bureau of Labor Statistics of the U.S. Department of Labor. [11] DRI assumes that oil prices will rise 7.5 percent per year to $1.31 per gallon by 1990, while natural gas prices rise 3.5 percent per year to $3.76 per thousand cubic feet.[2] They then forecast an energy growth rate of 2.98 percent per year and total consumption of primary fuels in 1990 of 110.7 quads. Extended to the year 2000, this yields a total annual consumption at that time of 148 quads. In the DRI projection, the consumption of energy by sector and fuel type is as follows:

---

[1] We use the common measure of energy output, the "quad," or one quadrillion (10^{15}) British thermal units (Btu). A quad is approximately equal to the energy supplied by 172 million barrels of oil, 42 million tons of bituminous coal, 0.98 trillion cubic feet of natural gas, or 293 billion kilowatt-hours of electricity. In 1977 the United States consumed 75.8 quads of primary fuels.

[2] Here, and throughout this study, we use 1978 dollars.

TABLE A-1.—ENERGY CONSUMPTION

[Quads per year]

	Coal		Natural gas		Petroleum		Nuclear		Hydro		Total	
	1977	1990	1977	1990	1977	1990	1977	1990	1977	1990	1977	1990
Household and commercial	0.2	0.1	8.3	9.5	6.6	8.8					15.1	18.4
Industrial	4.2	6.1	7.2	7.9	7.3	11.3					18.7	25.3
Transportation					19.2	21.0					19.2	21.0
Electric Utilities	10.3	21.9	2.4	1.2	4.6	5.3	2.2	13.3	3.0	4.3	22.5	46.0
Total	14.7	28.1	17.9	18.6	37.7	46.4	2.2	13.3	3.0	4.3	75.5	110.7

Consumption of every energy source increases, but coal and nuclear power meet most of the increased demand, largely through their use in electricity production. Nevertheless, petroleum and natural gas are assumed to be still available and, indeed, are consumed in even greater quantities than today. This is possible only because of the assumption that increasing quantities of these fuels are imported (e.g., 57 percent of the petroleum is imported). However, U.S. demand will be competing with the increasing demand from other countries, including growing Third World economies, and many analysts foresee a shortfall in world supply between 1985 and 1995. For instance, the Report of the MIT Workshop on Alternative Energy Strategies concluded that, even in its moderate growth model, "energy demand growth quickly outpaces plausible projections of potential supply. It follows that historically high growth rates of energy use * * * projected into the future are simply not realistic." [10] As noted in the introduction, this is just one of a number of potential barriers to this scenario.

The Historic Relation of Jobs and Energy

Over three-fifths of all energy use takes place in the industrial and commercial sectors, where goods and services are produced and workers employed. Yet, the major consumers of energy employ relatively few people. Between 1948 and 1970, energy use by the goods-producing sectors[3] rose 120 percent, while their employment declined 1.4 percent; by contrast, energy use in the provision of services increased 62 percent, but employment gained 75 percent. [12]

Six industries have historically consumed the lions' share of the energy used by industry. In 1968 (the year of the most recent detailed study of industrial energy use), the primary metals, chemical, food, paper, stone-clay-glass products, and the petroleum and coal processing industries used 68 percent of all energy used by industry, yet employed only 25 percent of all industrial workers and just 7 percent of the Nation's total work force. [13, 1] Between 1950 and 1971, their work force increased only 2.5 percent, while their energy consumption increased 106 percent. [14]

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[3] In BLS categories, the goods-producing sectors are agriculture, forestry, fisheries, mining, construction, and manufacturing; the service-producing sectors are transportation, communication, utilities, wholesale and retail trade, finance, insurance, real estate, services, and government.

These relationships will probably continue in a period when energy prices are rising. The response of business to rising energy prices and the prospect of shortages is difficult to forecast, since we have not encountered such a period before. Economic projections must be made on the basis of the past, but we have evidence only from a period in which energy prices were falling and supplies were plentiful.

Much will depend on the response of public policy to this new situation, as well as on the overall economic environment. Businesses may reduce output, and thus their demand for labor, in the face of higher energy prices (the "income effect"), or they may call upon more labor and capital resources to replace energy (the "substitution effect"). Studies by Jorgenson and his coworkers suggest that the substitution effect will predominate, but only slightly. Using a model driven by cost-minimizing business behavior, they find that an average increase of 54 percent in energy prices will reduce energy consumption in the year 2000 by 38 percent and raise labor demand by 1.5 percent. [14, 15]

The Bureau of Labor Statistics of the U.S. Department of Labor carries on a continuing program of economic projections, in order to provide forecasts of labor demand in particular industries and occupations. [16] These projections are based upon expected levels of employment and labor productivity, with price variables playing a secondary role.[4] Thus, though they make use of the DRI projections to ensure that their predicted level of energy production is compatible with such "mainstream" energy forecasts, they do not incorporate the effects of rising energy prices on other categories of consumption. Nevertheless, since these effects are, at this point, uncertain but likely to be small—given sufficient time for adjustment to new patterns of consumption, new transportation modes, etc.—the BLS projections seem quite usable.

The BLS forecasts that the labor force will grow, between 1977 and 1990, from 99.5 million to between 113.5 and 125.6 billion. [17] This is an average growth rate of 1.4 percent, considerably slower than the 2.3 percent growth rate that characterized the 1970-77 period.

Within the BLS projections, the growing consumption of energy is not accompanied by a corresponding rise in employment in the energy industry or in the industries which use that energy. Rather, it leads to a continuing relative shift of employment away from these sectors to the more labor-intensive service sectors. The following table shows the projected change in employment shares, as civilian employment rises from 90.5 million to a projected level of 111.0 million:

TABLE A 2

	Increase in employment, 1977-90	Share of total employment (percent)	
		1977	1990
Goods producing sectors[1]	4,797,000	26.8	25.5
Energy intensive industries	(373,000)	(4.1)	(3.6)
Service producing sectors[1]	18,357,000	71.2	72.6
Energy industry	351,000	2.0	1.9
Total	23,500,000	100.0	100.0

[1] The energy producing and distributing industries have been removed from these sectors and included with the "Energy industry."

More than three out of every four workers entering the labor force in this period will have to find a job in the service sectors where, quite frequently, wages are low and jobs provide less than full-time work. In 1976 the average wage in the service-producing sectors was $4.45 per hour, only 79 percent of the average wage in the goods-producing sectors. [1]

Ballard has argued that escalating energy prices will make "planned obsolescence" more expensive and will favor the manufacture of more durable products. [18] Manufactured goods will become more expensive relative to less energy-intensive services, consumers will buy them less frequently, and they will have to last longer and be maintained better. This will result in fewer assembly-line jobs and more maintenance and repair jobs.

The new jobs in the energy industry, which are of primary interest to us in this study, are largely related to the expansion of electricity production. They are jobs constructing the needed electric plants, mining and refining coal and uranium, and operating powerplants. It is characteristic of these occupations that large-scale migrations of workers will be required, as fuel sources in particular locales are exploited and then depleted, and as health and safety requirements demand the remote location of powerplants. These can impose severe dislocations and social costs on workers and their communities.

In general, this "business as usual" projection envisions an economic environment in which it will be difficult to achieve high levels of employment. With energy prices rising relative to other costs, increasing portions of the consumer's dollar will be taken up with direct and indirect energy costs. Until energy conservation measures can be undertaken, or alternative living modes adopted which can reduce energy consumption, relatively less income will be available for the purchase of other goods and services having a low energy, and high job, content. In this setting, conservation and renewable energy become essential parts of any strategy for full employment.

2. Toward Conservation and Renewable Energy

To avoid the manifold deleterious consequences of continued reliance on nonrenewable fuels, we must undertake an active program stressing conservation and renewable energy (CARE). There would be a strong emphasis on conserving energy, that is, on making the most efficient possible use of the energy we do consume, and on conversion of an increasing portion of our energy consumption from nonrenewable fossil fuels and uranium to solar energy in its various direct and indirect forms (solar heating, wind, biomass). Total fuel consumption would be capped and ultimately reduced, and the mix of energy sources would be changed, with an increasing portion coming from renewable sources.

The Conservation of Energy

In general, energy consumption can be reduced by (i) performing the same activity in a more energy-efficient manner, (ii) using energy that is now wasted, and (iii) changing behavior to reduce the need for energy. All three should be undertaken, though the last--involving modifications in our housing patterns, our transportation systems, the way we produce goods and services—will require more time to implement and more sweeping social changes. Our present patterns have been developed in an era when energy was cheap and its supply thought to be endless. As we realize that these conditions no longer hold, we may begin making significant changes in the way society organizes its living and working activities.

Very large savings appear possible even without this. With relatively modest efforts in the first two categories, savings approaching one-half of current consumption can be made. [19] There are great opportunities for energy conservation, not just because we have been using energy wastefully, but also because we have been using it inappropriately. We have been using fuels and processes which produce very high temperatures (hundreds or even thousands of degrees) to heat our homes 10° or 20°, with excess heat simply thrown out into the atmosphere. By producing energy that is tailored to its use, and extracting all the useful work from it, we can make significant gains over our past inefficient practices. Furthermore, conservation is not expensive; estimates of the cost of conservation measures range from one-half to one-tenth the cost of adding an equivalent amount of energy from new sources. [20, 21, 22]

It should be emphasized that, as we (and most analysts) use the concept, "conservation" does not mean the curtailment of energy-using activities. Rather, as the CONAES Demand and Conservation Panel defined it, conservation includes "technological and procedural changes that allow us to reduce demand for energy (or specific scarce fuels) without corresponding reductions in the goods and services we enjoy." [23]

New Sources of Energy

We will need some additions to our current supply of energy, not just conservation of what we use, and we will soon have to begin replacing fossil fuels with renewable sources of energy. We have to create an entirely new industry to produce, install, and maintain solar energy units of all kinds—hot water and air collectors and storage units, photovoltaic generators, biomass converters, wind machines, and so on. In the 1950's, a national decision created the massive Federal highway system and, in the 1960's, the space program. Each involved investments of billions of dollars and hundreds of thousands of jobs. In the same way, we need to move toward a national program of solar energy production and conversion. Solar energy could be the technology that lifts the economy out of the doldrums of the 1970's into a more prosperous period in the 1980's.

We will look at projections to the year 1990, assuming that such a program is initiated. As a baseline, we use BLS projections for the economy in 1990. The year 1990 may be looked on as a typical year in a 50-year transition from dependence on nonrenewable fuels to nearly complete reliance on renewable energy sources, primarily energy from the sun. Most homes, office buildings, and factories have useful lives of the order of 50 years. Thus, about 50 years are required to replace this building stock and convert it to energy-conserving, renewable resources.

One frequently hears expressions of concern for the employment impact of such alternative energy policies. These reflect doubts over the ability of the alternative approach to provide the energy that industry needs, in order to operate the machines on which many workers depend for their jobs. The approach adopted in this paper assumes that no policy will be adopted that does not provide sufficient energy to fuel the economy and, especially, its productive machinery. Thus the approach incorporates ways of substituting, step by step, renewable energy sources for nonrenewable ones. It assumes that there will be no reduction in the use of conventional energy sources, and no reduction in the supply of conventional fuels, at whatever price, until an alternative is available in sufficient quantity to meet the demand.

Elements of a CARE Strategy

An extensive range of measures can be encompassed within a CARE strategy. Those postulated to be installed and operational by 1990 include the following:

(1) For residential and commercial use:

Reduction of heat loss through additional insulation, efficiency improvements in the use of heating and cooling units, and careful attention to the flow of heat in the building and through its outer "envelope."

Improved energy efficiency of equipment and appliances.

Increased heat absorption from the sun through passive solar designs.

Solar water and space heating through active fluid collection and circulation.

(2) For industrial use:

More efficient industrial practices, recovery and reuse of waste heat, and use of recycled materials.

Generation of electricity as a byproduct of heat and steam production ("cogeneration").

Solar energy collectors and solar-powered heat engines.

(3) For transportation:

Increased automotive efficiency.

Increased use of urban mass transit and interurban rail and other energy efficient modes of transportation.

(4) For portable fuels, production of methane and alcohol from agricultural and urban wastes.

(5) For electricity production:

Photovoltaic cells, including concentrators and cogeneration, on homes, commercial and industrial buildings.

Wind-powered electric generators.

Solar-powered heat engine-generator systems.

Other uses of solar energy, especially for cooling purposes, have not been included in the estimates made in this study because of the cost and underdeveloped nature of these systems. Similarly, capturing other forms of solar energy, such as ocean thermal energy, has been proposed, but such systems have not yet reached a sufficient stage of development to be able to estimate their energy and employment potential.

Energy Goals

The energy savings achieved, and the number of jobs produced by these measures, depend upon the scale of investment in them. For this study we assume a set of national goals, projecting the achievement of a specified level of implementation for each measure by the turn of the century. (With different goals, the results will be scaled up or down proportionately.) The goals we assume are the following:

TABLE A-3

Measure	*Goal for year 2000*
Residential use:	
Conservation	50 percent saving.[1]
Active and passive solar	100 percent of new homes; 50 percent of existing homes.
Commercial use:	
Conservation	50 percent saving[1]
Active solar	50 percent of all buildings.
Industrial use:	
Conservation	40 percent saving by 1990.[1]
Cogeneration	100 percent of all usable sites.
Active solar	25 percent of all process heat.
Transportation	No specific goal.
Portable fuels	Conversion of 50 percent of waste products.
Solar electricity	25 percent of current electricity production.

[1] Energy saving goals refer to the consumption of delivered energy at the site of end use.

These goals are ambitious but achievable with the vigorous support of public policy.

CARE-Related Employment

To meet them, we assume that investment in conservation and renewable energy builds up over a 5-year period preceding 1985, with a constant level of investment thereafter.[2] This investment creates jobs which can be estimated using the input-output tables developed by the Bureau of Labor Statistics. These show the number of jobs in each industry required to produce a dollar of final output. (See Part B, Section 1, for further details and assumptions.) We find, for the year 1990 the following projections of investment and employment:

TABLE A 4

	Annual investment (billions, 1978)	Number of jobs (thousands)		
		Direct	Indirect	Total
Residential				
Building conservation	$5.7	125	74	199
Appliance conservation	1.4	29	23	52
Passive solar	.7	15	11	26
Active solar	14.8	266	244	510
Commercial				
Conservation	2.4	52	34	86
Active solar	6.6	119	109	228
Industrial				
Conservation	1.5	20	25	45
Cogeneration	3.8	51	62	113
Active solar	12.1	163	198	361
Transportation				
Portable fuels	4.3	89	77	166
Electricity				
Photovoltaics	3.6	69	53	122
Wind	5.3	91	81	172
Heat engines	3.4	31	59	90
Total	65.6	1,120	1,050	2,170

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[2] Because of the need for further advances in technology, we assume that implementation of photovoltaics does not begin until 1985.

We distinguish the "direct" jobs involved in producing and installing the final products from the "indirect" employment involved in producing raw materials and components. The jobs projected here pay wages and salaries that are typical of the respective industries in 1990, especially manufacturing and construction. One-quarter of the investment and the jobs are in energy conservation, three-quarters in solar energy. About one-third of the investment is in the residential sector; the remainder of the investment must be made by business and government decisionmakers.

For comparison, the BLS projects the gross national product in 1990 to be $3,241 billion, with gross private domestic investment equal to $510 billion. Total employment will be 114,000,000 and total unemployment 5,400,000, with the BLS assumption of an unemployment rate of 4.5 percent. Construction employment will be 5,574,000 and manufacturing employment 23,872,000. Thus, conservation and solar employment will impose relatively small pressure on the economy as a whole, but it can make a significant dent in unemployment.

Energy Savings

These investments lead to very significant savings of nonrenewable fuel. Rather than including solar energy in the national energy accounts as contributing positive amounts of energy, there is less ambiguity if it is viewed as a conservation measure, enabling the consumption of nonrenewable fuels to be curbed. (The recently-enacted National Energy Conservation Policy Act includes solar energy and wind power devices among the energy conservation measures it promotes.) This method of accounting is especially appropriate for onsite solar techniques, where the energy supplied by solar devices is not transmitted, marketed, or even measured, but simply permits less dependence on external energy sources powered by nonrenewable fuels.[6]

Assuming that a strong CARE program is begun in 1980, we find that the fuel consumed in 1990, compared with the DRI business-as-usual projection, is as follows:

TABLE A-5.—PRIMARY FUEL CONSUMPTION

[Quads per year]

	DRI	CARE
Coal	28.1	14.2
Natural gas	18.6	11.5
Petroleum	46.4	33.6
Nuclear	13.3	2.2
Total	106.4	61.5

The implementation of these CARE measures leads to a saving of 44.9 quads of nonrenewable fuels.[7] Projecting forward to the year 2000, with CARE measures implemented according to Table A-4, we obtain a total fuel consumption of 52.7 quads, little more than a third of the 144 quads found if the conventional, business-as-usual path is followed. About half the savings are achieved through conservation measures, half through solar energy.

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[6] Steve Baer has pointed out, for instance, that anyone who dries clothes on a clothesline will be using solar energy. As compared to the user of a gas or electric dryer, they will be using less fuel but not necessarily less energy. And the energy, of course, is not measured.

[7] It might be thought that we should add the fuel consumed in the course of manufacturing and installing the conservation and solar systems. However, we have no way of knowing whether this production is part of the production already included in the BLS projection or is an addition to it. In any case, this energy "investment" is "paid back" [illegible]

The conventional method of energy accounting would add to the energy sources shown in Table A-5 the contribution of hydropower and various active solar systems envisioned in this scenario. Using this approach, we find for 1990 the following:

TABLE A-6.—ENERGY CONSUMPTION

[Quads per year]

	DRI	CARE
Nonrenewable fuels	106.4	61.5
Hydropower	4.3	4.3
Solar systems		10.2
Total	110.7	76.0

Total energy consumption in the CARE scenario is just about equal to total consumption in 1977; that is, there is zero energy growth between 1977 and 1990. Solar systems provide 10.2 quads or 13 percent of the energy in 1990, and they provide 22 quads or 28 percent of the energy in 2000. (This understates the significance of solar sources; to the extent they substitute for electricity produced from nonrenewable sources, 1 Btu of solar energy replaces 3.4 Btu of nonrenewable fuels.) For comparison, ERDA Report No. 49, the National Solar Energy Research, Development, and Demonstration Program, projected a solar contribution of the order of 10 quads by the turn of the century; the Stanford Research Institute found 15 quads in its "solar emphasis" scenario; the Mitre Corp. projected 6 quads; the Committee on Nuclear and Alternative Energy Systems (CONAES) of the National Academy of Sciences found a high-solar scenario yielding 14 quads; and the Council on Environmental Quality projected 15–25 quads. [23, 25, 26, 27]

Net Job Creation

The savings achieved by introducing this wide range of conservation and renewable energy measures allows spending on nonrenewable fuels to be reduced by $118.8 billion compared to the BLS projection for 1990. We estimate that this will lead to 644,000 fewer jobs operating and supplying facilities that use and distribute nonrenewable fuels and 493,000 fewer jobs in electric powerplant manufacture and construction. Of the total of 1,137,000 jobs, 680,000 are directly in these industries; 457,000 are in industries that are indirectly affected by these energy savings.

By 1990, the money saved by residential, commercial, and industrial consumers from reduced fuel consumption greatly exceeds the amount invested annually in CARE measures. These extra funds can be spent to purchase additional goods and services. From the net spending of $53.2 billion ($118.8 billion less than the annual CARE investment of $65.6 billion), there will be an additional 1,870,000 jobs created. The

BLS projections assume that the cost of energy rises no faster than the general rate of inflation, which they project at 5.4 percent per year. Since the price of these fuels will very likely rise faster than this, the dollar savings will probably be greater and the number of jobs created by the shift in spending correspondingly larger. Also, to the extent that CARE investments are made out of borrowed funds rather than current income, there would be more disposable income available and, consequently, more jobs produced. On the other hand, if fuel prices are raised by their suppliers in response to the drop in demand, there would be fewer additional jobs.

Keeping in mind these caveats regarding this estimate of the jobs created (and indeed, the approximate nature of all of the estimates in this study), we then have the following net job creation:

TABLE A-7

	Number of jobs created
Conservation	521,000
Solar energy	1,649,000
Nonrenewable fuels	−1,137,000
Added disposable income	1,870,000
Total	2,903,000

These figures do not include the additional jobs that would be created through the multiplier effect (spending of the income earned through this employment) and the accelerator effect (increased investment induced through anticipated growth). Such effects result from a stimulus added to an existing economic situation, whereas many of the jobs envisioned here may be part of the employment growth projected by BLS. To the extent they are not reflected in those projections, but represent additional investment beyond that in the BLS forecast, there would be a roughly equivalent number of additional jobs created through the multiplier (respending) effect.

The CARE Employment Picture

It is now widely recognized that employment programs must be "targeted" to be effective, that is, they must place funds and jobs in the regions, and among the population groups, suffering the most from unemployment. Jobs in the fuel extraction industries (coal mining, oil and gas exploration, etc.) and in powerplant construction tend to be far from the areas suffering the most severe unemployment. On the other hand, energy conservation and solar energy system production and installation will take place largely in settled urban areas where the unemployed reside and where they can easily be trained and hired. Thus, the jobs created in this scenario can make a significant contribution to solving the chronic unemployment problem facing our urban areas. Some jobs, such as those involved in producing photovoltaic arrays and solar heat engines, will be in more centralized manufacturing facilities; these can replace the jobs displaced by the reduction in conventional energy investment and production.

The jobs will be dispersed as widely across the country as are the dwellings people live in and the sites of their work. Workers will not be required to move to remote or temporary construction sites. Energy conserving technologies tend to be decentralized, geographically distributed in roughly the same proportion as the population. Fuel supply technologies, on the other hand, tend to be centralized and located where the fuel sources are, e.g., in Alaska, offshore, in the Rocky Mountains or the northern plains.

Jobs will be created in insulating and retrofitting homes with solar units, manufacturing and installing more efficient heating and cooling systems, making office buildings more energy efficient, producing and operating mass transit systems, producing and installing cogeneration devices, and recycling valuable materials. The skills required will be similar to those required for conventional construction projects and heating system installation. Work will be provided for sheet metal workers, carpenters, plumbers, pipefitters, construction workers, and production line workers of all kinds. Energy management will be increasingly important and will be a new source of employment for engineers and designers. Also, solar energy technology is suited to community based enterprise and small business. Expansion of this industry will open up opportunities for ownership and economic development by those who now have little or no role in the multinational energy industries.

As energy conservation and the use of renewable energy become guideposts for community planning, land use and housing density patterns will shift. Higher densities, with a reduction of suburban sprawl, will reduce transportation energy usage and allow more energy-efficient housing construction. [28, 29] Compact communities will facilitate the introduction of neighborhood scale solar units for both heat and electricity generation. [4] Such units have a number of significant advantages, including the possibility of utilizing shared community spaces with protected access to the Sun and of incorporating very large storage tanks that can store summer heat for winter usage. Very high densities (especially buildings of four or more stories) will be discouraged, since the solar resource is relatively diffuse (requiring about 400 square feet per family) and on-site energy supply would then become infeasible.

Commercial and industrial activities will require more energy planning and more land for access to the Sun. (In a solarized society, land becomes an energy resource.) Though these activities may occupy a small fraction of a community's land, their solar energy needs will require several times the space they occupy. [29] There will have to be community- and region-wide planning to insure that the necessary space is available, whether on buildings or on open spaces. There may also be a tendency for energy-intensive industries to locate in areas having large amounts of annual solar radiation, though increased transportation costs may tend to counter such shifts.

In general, energy considerations will become a predominant consideration in land use planning, community organization, and the location of jobs.

3. Financing the Solar Transition

Achievement of the scenario envisioned in this study, and of the job creation it would generate, depends on political and economic decisions which induce the necessary investment and make available the necessary funds.

It seems likely that this will not occur unless mandatory Federal standards are established governing a broad range of energy conservation and renewable energy measures (similar to the mileage requirements now imposed on automobile manufacturers). Even though price factors alone would appear to impel the introduction of these measures today, in fact, a great many of those with the ability to introduce them have not done so. The builders of homes and commercial buildings want to keep their initial selling costs down even though, over the lifetime of the building, the purchaser may well end up paying more through high energy usage for heating, cooling, and lighting. Likewise, industrial decisionmakers have been lukewarm to conservation and solar energy, insisting on twice as large a return (about 30 percent per year) from an investment in energy conservation as from an investment that increases productive output. [30]

Many conservation measures are relatively inexpensive and, even at today's fuel prices, would pay for themselves in energy savings in just a few months or years; as prices rise, they will become even more cost-effective. Many solar energy systems make economic sense today when compared with the cost of electricity, though not yet when compared with the cost of oil or gas. [31, 32] In all cases, these financial benefits accrue in the future through some substantial investment in the present. Consumers and businesses may prefer other ways of spending their money. Generally, an energy-related investment will not markedly improve current living conditions for the individual consumer or expand sales for the businessman.

In addition, it is characteristic of most CARE measures that they are purchased by the users of energy, rather than by the current producers of energy. Whereas a powerplant is purchased, constructed, and operated by an electric utility, a solar heating unit is purchased by the individual homeowner or builder for installation on the individual home. The user's return on this investment depends on the cost of the energy saved, and thus on the average cost of all facilities then producing and distributing energy. A supplier's investment choice, on the other hand, is based on the comparative cost of new facilities currently being built.

New energy production plants tend to be increasingly expensive so that, in general, an investment in conservation or solar energy would save more energy than would be produced by the same expenditure on new facilities using nonrenewable fuels. [4, 31] Cogeneration equipment costs industrial users more than what they are now paying for electricity, but less than what it would cost a utility to produce equivalent central powerplant capacity. [33] Since the user's investment is compared with the average cost of energy, while the supplier deals with replacement cost, the user's decision is weighted against the purchase. To overcome this, some alternative financing arrangement seems to be necessary.

One is to introduce some form of national subsidy, such as the recently approved tax credit for homeowners and businesses. However, this applies only to particular classes of taxpayers and will not address the general need for making CARE investments attractive to the energy user.

Another possibility would be to have the suppliers, especially the electric utilities, purchase (or loan the money for) conservation and solar installations. These investments would then be incorporated into the internal accounting of the energy producers. However, this would negate some of the main advantages of renewable energy systems, namely, their flexibility and amenability to control by the users. It would seem preferable to set up an alternative financing scheme which would accomplish the same end, that is, introducing a broad societal perspective into the financial arrangement, without transferring control to the current suppliers of energy. Since suppliers' investments will, in any case, be based on borrowed money which is repaid through payments by consumers, it should be possible, in principle, to devise mechanisms which would achieve this.

One would be an energy development bank which could borrow large sums at attractive rates on the private money market and loan these for CARE purchases, either directly or through local banking institutions, to users (including communities for shared, neighborhood-scale facilities). In effect, this federally backed bank would be borrowing the sums that would otherwise be drawn on by the utilities and other energy suppliers, and making them available to energy users. By loaning them out for long terms at low interest, the monthly cost to users can be reduced below what their energy spending would otherwise be. (Indeed, the San Diego Savings & Loan Association is already making available loans which are extensions of a homeowner's mortgage, so the homeowner may end up with no additional monthly cost for the CARE installation.)

With the introduction of a financing mechanism such as this, with a broad-based educational effort, and with the strong support of public officials, it should be possible to launch a national conservation and renewable energy program that would have the very great employment benefits identified in this study.

Part B. COMPUTATIONS

1. METHODOLOGY

In this study we estimate the impact on employment of the widespread introduction of energy conservation and solar energy measures, by envisioning a future in which there has been extensive investment in these sources and using economic projections to estimate the employment resulting from such spending.

For each conservation measure or solar energy application, estimates are made of its cost per unit energy saved or produced each year after the measure is introduced. A goal is set for the year 2000, by which time there will be specific level of implementation achieved for each CARE measure. We assume that this goal will be achieved by a 5-year period of growth in CARE spending, after which there will be a fixed level of annual investment. The employment generated in 1990 by this investment is then determined from economic projections made by the Bureau of Labor Statistics of the U.S. Department of Labor. [16]

The BLS Projections

The BLS model gives estimates of the number of jobs involved in producing a dollar of output in each of 151 industries. These industries are obtained by aggregating the 476 separate industries identified in the Department of Commerce categorization of industrial sectors, and by creating some special categories for government enterprises, imports, and others.

The BLS modeling process begins with an estimate of the civilian labor force likely to be available in the year 1990. This is based upon Census Bureau projections of the overall population, BLS projections of labor force participation, i.e. the proportion of the working-age population that is working or seeking work), and an assumed rate of unemployment (BLS forecasts an unemployment rate falling gradually from its 1977 level of 7.0 percent, reaching 4.5 percent in 1990). Projections are made of average labor productivity (dollar output per hour worked) and the average annual hours worked by each employed person. Multiplying the projected annual output per worker by the anticipated number of workers yields the potential gross national product which can be supplied by the available labor force using the then current technology and working the then average number of hours per year. At this stage, no assumptions about interest rates, investment flows, or other financial variables have been used. These are introduced through a macroeconomic model which allocates this supply GNP among the major demand categories of personal consumption, private investment, government purchases, and exports. These are further disaggregated into expenditures for each type of consumption or investment good or service, yielding the "demand" GNP.

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These projections are checked for consistency with projections of energy production and consumption. BLS uses energy projections prepared by Data Resources, Inc., to prepare a specific energy scenario which it uses for such comparisons. [11] This incorporates "business as usual" assumptions about the growth of demand for energy and increased production of nonrenewable fuels.

Input-output tables, whose coefficients have been projected forward, are then used to determine the output of each industry required to satisfy the final demand. From projections of the annual output of a worker in each industry, the number of jobs can be determined. (A "job" is defined through surveys of employers' payrolls; thus one person may hold more than one job, and a job may represent less than full-time employment.) The aggregate employment of all industries is then checked against the original assumed size of the labor force to assure consistency.

The input-output table is the central tool in estimating employment requirements. The coefficients in this table measure the output of each industry consumed by every other industry. Thus, they show the value of electricity utilized in the steel industry, the automobile industry, and all other industries (including electric utilities themselves), as well as the electricity sold directly to consumers. They also show the products purchased by each industry in order to produce a unit of its final output. The difference between the value of this final output and the cost of intermediate products purchased from other industries is the value added, composed of labor compensation, proprietors' income, profits, interest, indirect business taxes, and depreciation. (It should be emphasized that the input-output table is composed of exchanges among industries *within* the production process. The output which meets final demand is outside the table and is precisely equal to the total value added by all industries; that is, the total product equals the total income.)

As the composition of final demand evolves, and technology changes, the input-output coefficients will be modified. For instance, as industry increasingly emphasizes energy conservation, the coefficients describing purchases of energy from the coal mining, petroleum refining, electric and gas industries will decline; that is, less energy input will be needed per unit of output. (Since the value of energy consumed is generally a small fraction of the total value of output—usually less than 5 percent—other coefficients will not be greatly affected by this change.)

The jobs required to produce a unit of output from a particular industry are in that industry, in the industries which produce goods and services consumed by that industry, in the industries which produce goods and services consumed by those intermediate industries, and so on. To determine the total employment in all industries required to meet the demand for a particular industry's product, the "inverse" of the input-output table, or the total requirements table, is computed. The coefficients in this table show the total output required of each industry to meet a specified final demand. Multiplying each coefficient by the employment per unit of output in each industry (the "inverse" of its labor productivity) gives the total employment required in each industry to produce any final output.

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The resulting employment factors include both the "direct" employment required in industries that produce a final product, and the "indirect" employment required in all supporting industries which provide material or service inputs into final producing industries. We will use the terms "direct" and "indirect" in a slightly different way than is conventional, to mean the production of all goods and services that are identifiable with the final product. Thus, for instance, "direct" employment in the solar industry will include not only those workers who assemble and install solar heating systems on consumers' homes, but also those who manufacture solar collectors and storage tanks. This enables us to maintain a clear distinction between jobs whose scale and organization will be most clearly affected by a change in demand, and jobs which will be less clearly attributable to a specific change in final demand. In the latter case, the goods or services produced meet a variety of different final demands, and the proportionate change in employment might be less than the fractional change in final demand, because of the industry's ability to absorb small changes without altering employment as much. Direct jobs tend also to be located in the local region where the demand is imposed, whereas indirect jobs will be more widely distributed across the Nation.

The following employment factors were used in this study:

BLS sector		Jobs per $1,000,000,000 of final demand (thousands)		
		Direct	Indirect	Total
11	Coal mining	20.46	8.13	28.59
15	New residential building construction	18.02	16.53	34.55
17	New public utility construction	23.76	14.79	38.55
21	Maintenance and repair construction	23.14	11.42	34.56
60	Petroleum refining	6.14	10.28	16.42
81	Engines, turbines, and generators	8.57	17.83	26.40
88	Special industry machines	12.80	15.44	28.24
89	General industrial machinery	14.80	15.61	30.41
93	Service industry machines	10.02	20.28	30.30
95	Electric industrial apparatus	16.82	15.58	32.40
96	Household appliances	8.03	20.64	28.67
101	Electronic components	17.08	16.08	33.16
117	Railroad transportation	11.69	9.66	21.35
119	Truck transportation	22.69	8.79	31.48
120	Water transportation	8.46	15.17	23.63
122	Pipeline transportation	4.21	10.11	14.32
126	Electric utilities	10.65	7.52	18.17
127	Gas utilities	8.14	10.47	18.61
129	Wholesale trade	21.66	10.10	31.76
130	Retail trade	52.62	6.03	58.65

Some Cautions

In estimating employment impacts, a number of conditions and qualifications must be kept in mind:

(1) The input output method of projection provides us with a "snapshot" of the economy at a particular time, showing in what industries workers are employed and what they are producing. No experiments are performed to determine how a change in demand would affect employment. In this study, we are interested in incremental changes in employment associated with such a change in output, but an input-output analysis can give us only the ratio of the total employment in each industry to the output of that industry and industries to which it is linked, that is, the average employment per unit of output.

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In using these average employment figures to simulate incremental effects, we are assuming that employment is proportional to output; that is, that there are constant returns to scale. The total employment in an industry, including the industries which supply goods and services to it, is assumed to be proportional to output. If there is a demand for increased output, or for a new type of product, the plant and equipment needed to produce these are assumed to increase in the same proportion as the labor force, and wage rates and other input costs are assumed to remain unchanged.

In general, we would not expect employment in an industry such as the energy industry to be proportional to output. The annual output of an electric powerplant or a refinery can change within fairly wide limits without much change in the number of workers in the plant, and the number of administrative personnel would vary hardly at all. In other industries as well, small changes in output can be accommodated without changing the number of workers, by altering the pace or organization of work. On the other hand, if large changes in output are required, so that the scale of plant and equipment is changed in proportion to output, we would expect employment to vary in the same way.

This is the situation we are projecting in this study, and we expect proportionality to be a reasonable approximation, especially for the direct employment which undergoes large changes as output varies. We may expect indirect employment to vary less, since a change in any one final product will have a lesser impact on intermediate suppliers, who may be expected to meet the small change in demand without too much alteration in employment.

In general, the BLS warning should be kept in mind:

> * * * manpower requirement factors should be considered as rough estimates of the relative labor requirements in a particular year for the various components of final demand and not as a measure of the actual jobs which would result from shifts in demand from one category to another.

(2) As we have seen, the use of BLS input-output tables to determine changes in the number of workers assumes a corresponding change in the plant and equipment used by these workers. However, the employment figures so obtained do not include workers in capital goods industries who produce that plant and equipment. Input-output tables include only what, in accounting terms, would be called "current accounts," that is, the direct inputs consumed in the production process—materials, components, fuels, spare parts, and repairs to equipment. Investment in plant and equipment is included in the value added to any output via its assumed depreciation.

New plant and equipment is produced as a part of the gross investment foreseen in BLS projections. The employment generated by such production can be computed by assuming a specific level of investment and determining the employment required for that output of capital goods. This is separate from the "current account" employment and requires additional assumptions as to the level of this investment.

Our projections do not include such investment. They assume that the conservation and other energy industries are built up during the 1980's, so that by 1990 they have achieved a "steady state" level of out-

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put. In this scenario, the initial investment in plant and equipment takes place prior to 1990; from then on, there is simply replacement of these capital goods as they deteriorate or become obsolete.

In recent years, depreciation (or capital consumption allowance) has averaged about 10 percent of gross national product and about 15 percent of manufacturing output. Put another way, the mean life of manufacturing equipment is 5-10 years. Then the employment figures we obtain for the conservation and solar energy industries should be increased by 10-15 percent to take account of investment in depreciated plant and equipment.

(3) The BLS "snapshot" method does not describe the "multiplier effect," that is, the additional jobs created as newly employed workers (in, for instance, the solar energy industry) spend their added income on consumer goods and services. The input-output employment table describes average conditions, not incremental ones, and it does not tell us about such "ripple" effects. Studies generally suggest that there is an employment multiplier of about two; that is, one additional job is created by consumer spending for each job created in the initial production. However, this depends very much upon the type and location of the jobs created and upon overall economic conditions at the time. (In periods of high employment, there may be less additional employment than in slack times, there may be inflationary effects, and so on.) Such respending effects can only be determined with a full macroeconomic model.

In addition, the use of a multiplier assumes an injection of funds into the economy, over and above whatever initial level of investment and consumption is assumed. BLS projects a gross national product which already includes many new products and services not available today. It foresees a 30 percent increase in productivity between now and 1990, with per capita GNP rising from $9,871 to $13,225. This additional output will consist of many products whose nature is not specified in the BLS projections (though their distribution among major sectors is foreseen). Conservation and solar energy goods and services may well be among the products that would be a part of this additional output, so that an unspecified portion of the flow of funds resulting from them may already be included in the BLS projection.

(4) In the BLS method (as in the Commerce Department's National Income and Product Accounts on which it is based), production precedes income. Wages and profits are viewed as the result of production, to be earned on the sale of products purchased with income received in a preceding period. The BLS method makes no assumption as to the source of the funds expended on output such as conservation materials and solar energy equipment. Individuals and corporations may purchase these out of current income, or they may borrow the funds from another individual, corporation, bank or agency. In the former case, their total spending on all goods and services will be unchanged; they will simply purchase less of some other products. In the latter case, total spending will be increased, but other investments might be affected. The net effect on employment, including these spending and investment shifts, cannot be determined without some additional assumptions as to the source of funds and the use of a complex macroeconomic model.

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To summarize, the employment figures we obtain as a result of conservation and solar-related investments will reflect average employment and may somewhat overestimate indirect employment; they will not include employment generated by the need to invest in new plant and equipment; they will include only workers employed in CARE industries and industries which supply them, not workers employed as a result of the spending of income generated in the CARE industry; and they will not give the net jobs created or displaced as a result of the overall change in spending induced by expenditures on CARE goods and services.

Further Assumptions

A number of additional assumptions and methods are used in making our estimates of CARE-related employment:

(1) We have used current estimates of the cost of conservation and solar equipment, decreasing this cost somewhat in those cases where it appears that mass production will cut costs. Should the cost fall dramatically as a result of some not-now-foreseen innovations, the same total investment, and the same number of workers, could produce and install more units and hasten the day when full "solarization" was a reality.

(2) Only presently available or clearly achievable technologies are included. Thus, the extraction of energy from the ocean is not considered, since no demonstrated technology now exists which seems likely to permit sizable energy production from the ocean during the next decade.

(3) Representative aggregated industries in the BLS model are used to simulate particular conservation and solar energy industries. Some preliminary studies have been made of the material and labor requirements of a solar industry, but these apply only to a few particular technologies and current production technologies. [34, 35, 36] Undoubtedly, both the technology and production techniques will change as additional experience is gained and output is substantially increased. Furthermore, the employment/output ratios in the BLS model apply only to aggregated industries and are expected to be only rough approximations to the actual state of affairs in 1990. Thus, the approximation of CARE industry and employment distributions by suitable, already-existing "surrogate" industries from the BLS sectoral framework seems commensurate with the accuracy of the BLS projections. In each case, industries are chosen which seem most closely to simulate the types of activities involved in the production and installation of the particular technology.

(4) In the BLS tables, final demand is valued at the production site, in "producers' values." To obtain the value at the site of purchase, transportation and wholesale and retail charges or margins must be added. These are approximated by using the margins as determined by the Department of Commerce in its detailed survey of the U.S. economy in 1967, which is the basis of the BLS input-output tables. [37]

(5) Energy is measured in millions of British thermal units (MMBtu = 10^6 Btu) and quads (1 quadrillion Btu = 10^{15} Btu). One MMBtu is approximately equal to the energy supplied by 7.2 gallons of crude oil, 81 pounds of bituminous coal, 980 cubic feet of natural gas,

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or 293 kilowatt-hours of electricity. Some other useful ways of expressing this equivalence are: 1 MMBtu per year=0.0334 kilowatt=1.73×10^{-4} barrel of oil per day, and $1 per MMBtu per year=$29.94 per kilowatt=$2,114 per barrel per day. Currently, fuel oil costs about $4 per MMBtu, natural gas about $1.70 per MMBtu, and electricity about $6–12 per MMBtu.

In 1977 the United States consumed about 75.9 quads of primary energy, or 59.6 quads of end use energy. The difference is in the way electrical energy is counted; about 3.4 Btu of primary fuel is required, on the average, to produce 1 Btu of electricity at the site of end-use.

(6) 1978 dollars are used throughout this study.

In this study we assume specific implementation goals in each area of CARE technology and use. Readers interested in determining the impact of alternative goals can do so easily. In this approach the number of jobs is directly proportional to the dollars invested in each category, and the investment is proportional to the energy-saving objective.

2. Residential Use

The most cost-effective action one can take to reduce fuel consumption in the home is to reduce the unnecessary loss of heat through the housing "envelope." This is, then, the first step in any conservation program. One can go beyond this, however, to make the home a more effective absorber of the Sun's energy, both by changing the design of the home so that it admits more sunlight and stores the energy received in this way ("passive" solar design), and by using a moving fluid (water, air, ethylene glycol) which is heated outside the home and then brought inside to give off its energy ("active" solar energy). Studies are beginning to show that the combination of these techniques, including particularly a serious attempt to reduce heat loss, can go so far as to eliminate all dependence on outside fuel sources for heating and cooling. [4]

Conservation

The energy conservation measures that can be applied to a home include adding insulation to the walls and ceiling, insulating attics and basements to avoid heating unused areas, adding storm doors and windows, adding shutters, caulking to reduce heat loss through window frames and other cracks in the housing envelope, and using a thermostat that shuts down any heat source in the evening and whenever no one is in the home. Waste heat can be recovered from heater flues and from hot water before it drains off into the sewer system.

Dramatic reductions in fuel consumption can be achieved by such measures. Studies performed even on 1970-vintage, reasonably well-insulated homes are showing that fuel consumption can be reduced more than two-thirds by such measures. [38] Existing Federal standards for home retrofitting would reduce fuel consumption by 35 percent; for new homes, they would reduce it 50 percent. [39] Thus a 50 percent reduction in fuel consumption for home heating by conservation measures alone seems a reasonable objective to be achieved by the year 2000. This would require an expenditure of between $250 and $2,000 per residential unit. [39, 14, 40, 41]

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The cost of these measures per unit of energy saved depends to a large extent upon the initial condition of the house. The first measure applied to a "leaky" house may cost little and achieve a great deal. As the home is made progressively "tighter," or if it is a new home that is already well insulated, the cost of reducing energy consumption is greater. The following figures characterize these different situations [39, 19, 4, 42, 43, 44]:

	Dollars per MMBtu per year saved
Initial measures on a poorly insulated house	5
Further measures on a poorly insulated house, and initial measures on a well-insulated house	20
Further measures on a well-insulated house	50

Energy consumption in the home can also be reduced by making other appliances—the refrigerator, stove, hot water heater, lighting—more efficient converters of energy into the qualities—cooling, heat, light—we want from them. It appears possible, by careful redesign, to make appliances that use 50 percent of the energy that present models consume, at costs in the range $5–15 per MMBtu per year saved. [39, 22, 45]

Passive Solar

New homes can be designed in such a way that they let in a maximum amount of sunlight in the winter, with this solar energy being absorbed and stored in stone, brick, or water for nighttime and cloudy-day heating. Overhangs or sunscreens can be used to shade the interior in the summer. In existing homes, absorbing elements can be placed within the home and, in some cases, windows can be added. The effectiveness and cost of such measures clearly depends very much on the design and placement of the home. From 40 percent to as much as 90 percent of the heating energy needed for a home can be provided in this way, at a cost that ranges from $5 to $150 per MMBtu per year. [4, 46, 47, 48]

Active Solar

The active solar technology which is most likely to be implemented on a large scale in the coming decade is the flat-plate collector coupled to home heating and hot water systems. Air or water is heated in the collector and piped into the home. The heat is then either transmitted directly to the heating and water system or stored for later use in the evening or on cloudy days. The "technology" involved in conventional plumbing hardware with collectors having a variety of relatively simple designs.

More advanced technologies are in various stages of development and will probably play an important role in the 50-year solar transition that we foresee, though they are unlikely to be widely installed in the short term. These include various systems for combining the production of electricity, using photovoltaic cells, with the collection of heat (see Section 7 of this Part), and heat engines which can convert solar energy into mechanical and electrical energy to power electrical appliances, heat pumps, and air conditioners, as well as provide heat for home heating and hot water. [35] Such systems are highly efficient (in the sense that they convert a large portion of the solar energy into useful activity), but they are relatively expensive at the present time and seem unlikely to achieve wide acceptance in the near future.

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According to the conventional wisdom, ordinary solar heating and hot water systems can provide, at best, 50–80 percent of the heat requirements of the average home. They need to be backed up with oil-, gas- or electricity-powered systems for unusually cold or cloudy periods. However, experience with solar-heated homes and detailed analysis [4, 46] are beginning to suggest that, if higher insulation standards are applied to homes (as suggested above), solar units of reasonable cost will be able to provide 100 percent of the heat requirements of the average home. This may involve somewhat larger storage tanks than are assumed in most analyses [for instance, 35], and it can be facilitated by the sharing of storage tanks among as many as 10 to 100 housing units, thus substantially reducing the storage cost.

In spite of the increasingly apparent ability of solar energy to meet all of the heat requirements of the average home, it seems likely that, for the near term, most people will want to have some kind of backup system. Gradually, we would expect that confidence in solar systems will develop, but most new homes will still incorporate conventional systems as well. These cost on the order of $1,000 for a heating system, a small fraction of the total cost of new homes today.

We also expect that, in the near term, solar cooling systems will not be installed as part of most solar energy systems. Since the same solar collectors that provide heat in the winter can supply energy to operate an air-conditioning system in the summer, their overall efficiency can be increased by adding a cooling system and using them year-round. However, the added cost and complexity of air conditioning will probably lead most people to postpone installing such a system which, in any case, can be added later as rising electricity costs make it increasingly desirable. (The extra costs are of the order of $3,000 per housing unit.) [35]

Thus, we assume, for the short term, widespread introduction of solar heating and hot water systems using flat-plate collectors, with incorporation of the more complex and expensive systems postponed until later.

Commercially installed collectors today cost $7–$30 per square foot. Of this, about one-half is the purchase price of the collector, the rest is materials and labor for installation. These costs are expected to drop about 30 percent with the onset of mass production, to $5–$20 per square foot. [19, 35, 4]

The remainder of the system, including pumps, controls, and storage sufficient for 5–10 days, adds another 25 percent to the cost of the system (Pumps and controls add about $1 per square foot, or $500 per housing unit; storage costs $1–$3 per cubic foot, and about 1–1.5 cubic feet per square foot of collector is required.) [35, 4] Thus the total system cost is $8–$40 per square foot today and is expected to drop to $7–$25 per square foot with expanded production. The cost for multifamily housing units should be as much as 50 percent less because of the sharing of controls, storage, etc. [19, 35, 4]

The solar energy falling on a collector varies with the location of the site (generally decreasing with increasing latitude) and the average weather at the site. For an average location in the United States, the mean "insolation" is about 0.60 MMBtu per year per square foot. We are assuming that the solar system is being used only for home heating and hot water, not for air conditioning, and only about one-third of

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this energy is available in the winter, when it is needed. (It should be noted that concepts of seasonal storage, involving large shared tanks or ponds with 6-month storage times, are being developed [35], but these are not likely to be installed in very great numbers within the time frame under consideration here.) Hot water, of course, is needed year-round, but it accounts for only about one-fourth of the total energy demand placed on the system.

Collectors are able to absorb and send into the home about one-half the solar energy incident on them. Thus, the effective energy conveyed by a collector is, on the average, 0.10 MMBtu per year per square foot. [49, 31, 35, 36] The cost of energy supplied by a solar heater is then expected to be $70-$250 per MMBtu per year.

Energy Savings

To summarize, the cost of residential energy measures is:

TABLE B-1

	Dollars per MMBtu per year
Conservation measures:	
Building	5-50
Appliances	5-15
Passive solar	5-150
Active solar	70-250

The average energy use per housing unit during 1977 was 150 MMBtu.[1] Of this, about two-thirds, or 100 MMBtu, was used for heating and hot water; the remaining 50 MMBtu were used to power various appliances and for cooking. [50, 51, 39, 52] (Multifamily units, which compose about 30 percent of all housing units, use about one-half as much energy as single-family homes; these figures are composite averages.)

If our energy conservation goal of 50 percent, for both building and appliances, is achieved, there would be a saving of 75 MMBtu for our average house. Assuming that 20 percent of the remaining heating load is met by some type of passive solar measure, the active solar system must provide 40 MMBtu in order to meet the full heating and hot water load of the home, and external sources (primarily electricity) must provide 25 MMBtu to power the various appliances in the home. The cost of CARE measures, per housing unit, may be estimated as follows, using costs per unit of energy roughly intermediate within the ranges shown in Table B-1:

TABLE B 2

	Energy saving (MMBtu per year)	Cost (dollars)
Conservation measures:		
Building	50	$1,000
Appliances	25	250
Passive solar	10	200
Active solar	40	4,000
Total	125	5,450

[1] This is an average for new and existing housing and single and multifamily dwellings.

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[1] This is measured in terms of end use energy, at the residence. Because of the losses incurred in the production and distribution of electricity, fuel consumption per house was 221 MMBtu.

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The overall fuel usage by this average home has been reduced to 25 MMBtu per year, one-sixth of its original value. This estimate takes into account the expected growth, in the absence of solar measures, of the share of homes that are electrically heated.

Employment

Having determined the cost of reducing the fuel consumption of the average housing unit by more than 80 percent, we can now estimate the employment produced by such an effort, using the BLS projections. As explained earlier, we will use the average employment rates per dollar of final demand in "surrogate" industries to estimate the effects of energy conservation and solar installation:

For building conservation measures in existing homes, we use Maintenance and Repair Construction (BLS Sector 21). This sector involves the same type of construction labor as do most building conservation measures, and the share of total spending used to purchase materials (61 percent in the BLS projection) is comparable with the 50-65 percent expected with conservation retrofitting. [53, 41, 48] For new homes, we use New Residential Building Construction (BLS Sector 15).

For appliance conservation, which takes place largely during the manufacture of appliances, we use Household Appliances (BLS Sector 96), taking into account average sellers' markups and transportation costs that are 34 percent of the selling price and the jobs thus created in the Truck Transportation, Wholesale, and Retail Trade sectors. [37]

For passive solar, we use Maintenance and Repair Construction for existing homes and New Residential Building Construction for new housing units.

For active solar, we use New Residential Building Construction. This sector involves the same type of products as the solar industry (except that it uses more wood products), and it has the same share of spending on materials and components (65 percent) as studies find to be true of the current solar energy industry. [34]

Using Table B-2 and the BLS projections, we then find the following employment impact per housing unit:

TABLE B-3

	Job per housing unit		
	Direct	Indirect	Total
Conservation measures:			
Building	0.022	0.013	0.035
Appliances	.005	.004	.009
Passive solar	.004	.003	.007
Active solar	.072	.066	.140

Using the BLS projection of an average of 1,832 hours worked per year per employee in the nonfarm private sector, this can be expressed in terms of hours worked:

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TABLE B-4

	Hours worked per housing unit			Total hours per MMBtu per yr.
	Direct	Indirect	Total	
Conservation measures:	40	14	64	1.3
Building	8	7	15	.6
Appliances	7	5	12	1.2
Passive solar	132	121	253	6.3
Active solar				

National Projection

To project the national impact of a residential energy conservation and solar energy program, we need to make an assumption as to the rate at which these measures are implemented in the coming years. We will assume that the programs build up between 1980 and 1985 and, thereafter, remain at a constant level of investment to the year 2000 when they will have reached the following goals:

TABLE B-5

	Percentage of implementation by 2000
Conservation measures:	
Building	100.
Appliance	100.[1]
Passive solar	100 (new homes); 50 (existing homes).
Active solar	100 (new homes); 50 (existing homes).

[1] Note that the mean lifetime of a household appliance is about 15 years. Thus, in the 15 years between 1985 and 2000, each home would, on the average, have purchased one of each type of appliance meeting the new, higher energy efficiency standards projected here.

In 1976 there were 72 million household units. These are projected to grow to 99 million in 1990 and 114 million in the year 2000. [39] Using Tables B-2, B-3, and B-5, we find the following total annual investment and number of jobs in 1990:

TABLE B-6

	Annual investment (billions)	Number of jobs (thousands)		
		Direct	Indirect	Total
Conservation measures:	$5.7	125	74	199
Building	1.4	29	23	52
Appliances	.7	15	11	26
Passive solar	14.8	266	244	510
Active solar				
Total	22.6	435	352	787

For comparison, BLS projects total investment in new residential construction in 1990 as $108 billion, with a total work force in that industry of 1,564,000. Thus the conservation and solar industry projected here gives a 20 percent boost to that industry and those that provide it with materials and equipment.

We can also estimate the total energy savings in 1990 and 2000, as well as the savings in fuel (recognizing that 3.4 Btu of fuel are required to produce and deliver 1 Btu of electrical energy from conventional power plants). By 1990, 54 million homes would have passive and

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active solar; by 2000, these figures would be 114 million and 75 million, respectively. The energy and fuel savings are:

TABLE B-7

	Energy saved (quads per year)	
	1990	2000
Conservation measures:		
Building	2.7	5.7
Appliances	1.4	2.9
Passive solar	.3	.7
Active solar	1.4	3.0
Total	5.8	12.3
Fuel saved	10.0	23.0

Once installed, these measures are relatively maintenance-free. Solar heating systems, though, will occasionally break down and need some repair. If we assume an average of 2 worker-hours per year per home for maintenance of the solar energy systems, there will be about 40,000 jobs in 1990 in this activity.

3. COMMERCIAL USE

The commercial sector, including nonresidential buildings (other than industrial plants) such as office buildings, retail stores, schools, hospitals, etc., consumed about 5.5 quads in 1977 and is expected to use about 8.4 quads in 1990. Of this, about 30 percent is currently in the form of electricity; this share is expected to rise to about 37 percent by 1990. [54, 44, 55]

Substantial energy savings are possible in the commercial sector. Not only are there the usual inefficiencies in our economy due to lack of attention to energy conservation in equipment and building design, but recently constructed buildings are especially wasteful of energy. Air conditioning is often used in modern office buildings to remove the heat generated by lights and people, and the widespread use of glass increases the cooling load in summer and the heating load in water. [56, 19]

Conservation

The American Society of Heating, Refrigerating, and Air Conditioning Engineers (ASHRAE) has issued standards for energy conservation in new buildings which, if conscientiously applied, would reduce energy consumption in office buildings by 60 percent and in retail stores by 40 percent. [57] Federal Executive Order 12003, issued July 20, 1977, has already established a goal for 1985 of 45 percent less energy usage in new Federal buildings and 20 percent less in existing structures. Thus, setting a goal of a 50 percent reduction in energy use in all commercial buildings by 2000 seems reasonable.

Solar

Heating and hot water demand, which now accounts for about two-thirds of commercial energy use, would be reduced an average

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of 42 percent by application of the ASHRAE standards. Application of somewhat tighter standards, looking toward a 50 percent reduction in this specific area of energy use, by the year 2000 is then a reasonable goal. Much of the remaining demand could then be met by solar heating systems. As solar air conditioners become readily available, these could be added to the solar systems, but we will assume that this takes place later than the period under consideration here. Having looked toward stringent energy conservation measures, we can now assume that the remaining heating and hot water needs, amounting to one-third of current energy use, can be taken over by solar energy systems.

Projection

The application of energy conservation measures to new commercial buildings will probably involve no net additional cost, since smaller, less costly heating and cooling systems can then be installed. An assessment of the ASHRAE standards suggests that the savings in equipment approximately compensate for the added cost of insulation and efficiency improvements. [57] For existing buildings, on the other hand, we may expect conservation measures to cost approximately what they do on residential buildings. [11] Solar units, on the other hand, will cost about one-half what they cost for single-family residences, per Btu saved.

Setting a goal of 100 percent of all buildings to have conservation measures applied by the year 2000 and 50 percent to have active solar heating and hot water systems installed (passive solar measures may be considered with other energy conservation steps), we find the following investment, employment, and energy savings:

TABLE B 8

	Annual investment (billions)	Number of jobs (thousands)			Energy saved (quads per year)	
		Direct	Indirect	Total	1990	2000
Conservation measures	$2.4	52	34	86	2.5	5.2
Solar systems	6.6	119	109	228	2.2	3.5
Total	9.0	171	143	314	4.7	8.7
Fuel saved					8.0	16.0

Here we have used the same projections for employment requirements per dollar of demand as in the residential case and have averaged the conservation measures, assuming two-thirds of the conservation effort is in building factors and one-third in equipment efficiency improvement.

4. Industrial Use

In 1977 industry used 21.3 quads, nearly 40 percent of all end-use energy. About 12 percent of this was in the form of electricity and another 14 percent was natural gas and petroleum used as feedstocks. [11] About 70 percent of industrial energy use is for process heat in the form of hot water, steam, and hot air or direct heat. [14, 58]

Industry, in seeking to control its costs, has always practiced some form of energy conservation. This is especially true of those particu-

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lar industries (primary metals, chemicals, paper, and petroleum refining) which are most energy-intensive. Nevertheless, significant opportunities for further conservation measures exist, and solar energy can also contribute to reducing fuel consumption by industry. As Hatsopoulos et al. point out, industry has used investment criteria for conservation decisions which have ruled out measures which are actually cost-effective. [30]

Conservation

Most forecasts look toward a continuing growth in energy consumption by industry, but also an increasing efficiency in its use of energy. The BLS and DRI projections envision an absolute rise in industrial energy consumption of 3.1 percent per year, but at the same time they foresee a decline of 1.1 percent per year in the ratio of energy consumption by industry to total manufacturing output. [11] By 1990, this will have produced a 13 percent decline in the energy-to-output ratio. Several studies have concluded that savings of 30-40 percent are possible if careful attention is paid to the organization and operation of industrial processes (better "housekeeping"), if waste heat is captured and recycled or used for producing electricity, if high efficiency electric motors are introduced, and if the use of recycled materials is increased. [19, 59, 60, 46] The additional energy savings will generally involve some investment of capital and will therefore produce employment. Estimates of the cost of energy conservation measures, from heat recuperation to more efficient electric motors to process modifications, are in the range $0.80-$5.00 per MMBtu per year. [30]

Cogeneration

The cogeneration of electricity with the production of heat is the most interesting of these, since it offers a way of reducing the industrial demand for electricity from central station powerplants that produce only 1 Btu of electricity for every 3.4 Btu of nonrenewable fuel they consume. In cogeneration, high temperature steam is allowed to expand through a turbine to produce electricity before being exhausted at low pressures for use as process steam, or lower temperature waste heat from cement kilns and other high-temperature devices is used to make electricity. The additional fuel needed to produce electricity in this way (beyond that needed to make heat or steam in the absence of the electric generator) is only about 60 percent of that required to produce and deliver equivalent electricity by a central power station, namely, 6,000 Btu per kilowatt-hour of electricity, compared with 11,500 Btu per kwh at a powerplant. Actual on-site fuel consumption is higher than it would be without cogeneration (amounting to 1.8 Btu per Btu of electricity produced), but less fuel is used than would be consumed by central generation, saving 1.6 Btu per Btu of electricity produced. [33]

Today there is the central station equivalent of about 15,000 megawatts of cogenerating capacity in existence. [61] It has been estimated that about 50 percent of all process steam production is suitable for cogeneration and that there is the potential for efficiently cogenerating electricity equivalent to 193,000 megawatts of central station capacity at the present time. Operating 90 percent of the time, such generators would produce 3.4 quads per year of electricity. [33] Cogeneration equipment costs (for the additional electric-generating capacity) are in the range $8–$30 per MMBtu per year in equivalent electricity. [33, 4, 62, 30, 63]

Solar

Solar energy may be used to supply the heat and process steam needed in many industrial applications. Only for the very highest temperatures (above 1000° F or so) does it become difficult to use solar-collected heat (though even here solar-generated electricity can be used in electric furnaces to attain these temperatures). [35, 46] Some cost estimates of solar systems are:

	Dollars per MMBtu per year
High-temperature focusing collector [35, 64]	30–70
Heliostat (power tower) [46, 64]	15–80
Rankine engine [35, 4]	15–30

Since industrial heat processes are about 80 percent efficient, each Btu produced by solar means will replace 1/.8=1.25 Btu of fuel.

Projection

We set the following goals for industrial energy use:

An additional 20 percent reduction in energy consumption by 1990 through process improvements, recuperation, and the installation of more efficient motors and other equipment.

100 percent use of all cost-efficient cogeneration sites by 2000.

25 percent of all industrial process heat to be supplied by solar energy by 2000.

To determine the impact of such goals, we use the DRI projection of 31.9 quads of industrial energy consumption, including 6.6 quads of electricity, in 1990. [11] We also assume that the potential for cogeneration grows in proportion to manufacturing employment, and that process heat requirements grow in proportion to manufacturing output. As before, we assume that programs build up between 1980 and 1985 and remain at a constant level of investment thereafter.

To estimate employment, we use an average of the sectors involved in producing industrial equipment. This seems appropriate for industrial conservation gear, and solar equipment suitable for industrial application is likely to be more complex and refined than the simpler gear to be installed on homes and commercial buildings. Thus we use an average composed of the following sectors: Engines, Turbines, and Generators (BLS Sector 83); Special Industry Machines (BLS Sector 88); General Industrial Machinery (BLS Sector 89); Service Industry Machines (BLS Sector 93); Electrical Industrial Apparatus (BLS Sector 95); and include Truck Transportation and Wholesale Trade (BLS Sector 119, 129) margins.

We then find the following:

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TABLE B-9

	Annual investment (billions)	Number of jobs (thousands)			Energy saved (quads per year)	
		Direct	Indirect	Total	1990	2000
Conservation measures	$1.5	20	25	45	6.4	8.6
Cogeneration	3.8	51	62	113	-1.8	3.8
Solar systems	12.1	163	198	361	4.3	9.5
Total	17.4	234	285	519	8.9	14.3
Fuel saved					19.0	34.0

There will be a need to maintain and repair cogeneration and solar equipment. It has been estimated that the annual cost of operating and maintaining such equipment is about 1 percent of its capital cost. [65] In 1990 this is about $1.4 billion. Using BLS Sector 21, Maintenance and Repair Construction, to estimate the resulting employment, we find 48,400 total jobs, and 32,400 direct jobs.

5. TRANSPORTATION

Transportation energy use is one of the most important areas to address when attempting to reduce the consumption of nonrenewable fuels, and yet it is also one of the most difficult. Both its importance and its difficulty reflect the overwhelming predominance of the automobile (and, secondarily, the truck) in American transportation today. The private automobile consumes enormous amounts of increasingly scarce fuel, but its presence has helped to shape residential and commercial land use patterns that make it difficult to avoid relying on the auto for personal transportation. Only on a time scale of 50 years or more, the typical turnover time for residential housing, is it possible to envision any truly substantial change in transportation patterns. Nevertheless, some steps can be taken now, and it is important to begin now if the 50-year transition is to occur while gasoline supplies are still relatively plentiful.

Transportation accounted for 56 percent of the 34 quads of petroleum used in 1977. Further, the refining of petroleum consumes about 0.12 Btu for every Btu of usable fuel produced (this consumption appears in the industrial sector in the energy accounts), so that transportation actually claimed 63 percent of all petroleum consumption. [11, 14]

The major users of transportation fuel are automobiles (47 percent), trucks (22 percent), ships (15 percent) and aircraft (7 percent). Buses account for less than 1 percent, and railroads (carrying primarily freight) for only 3 percent. [66] The most inefficient use of automobiles, of course, is in urban areas, especially for commuting, where the single person driving to work alone in a 2-ton automobile has become almost a symbol of America's energy wastefulness. Studies of urban transportation have shown that, on the average, buses use 43 percent as much energy per passenger-mile as autos, while rail systems use only 29 percent as much.[2] [28] Nevertheless, mass transit continues to account for only about 2.5 percent of all urban passenger travel. [67]

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[2] Interestingly, because of low average load factors in some experimental operations, the once attractive Dial-a-Bus idea now seems less appealing; it uses 15 percent more energy per passenger mile than the private automobile.

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Technological Changes

The automobile consumes the most fuel and offers the greatest opportunities for conservation. Seeking improved automotive efficiency is the first step that has been taken, and that can still be taken, to curb petroleum consumption. The Energy Policy and Conservation Act of 1975 mandated an average 1985 new car auto mileage of 27.5 miles per gallon, a substantial improvement on the 1976 new-car fleet average of 17.1 miles per gallon. Further improvements are possible, with the limit dependent more on the tastes of the American consumer (and the way these are influenced by auto industry advertising) than on technology. Volkswagen has recently introduced a supercharged diesel-powered Rabbit which gets 60 miles per gallon, so there is a long way to go.

Fuel efficiency can be improved by engine design improvements, better matching of the engine to the auto load, reduced drag through body design changes and use of radial tires, and reducing the weight of the automobile. Diesel engines, which use 30 percent less fuel, may be introduced on a wide scale, if their associated particulate pollution can be reduced. It seems reasonable to seek a 40 mile per gallon new-car average for 2000, with these gains to be achieved primarily through weight reductions. If this were done, and if auto miles driven rises in proportion to the adult population [17] automotive fuel consumption would decline to 5.4 quads in 1990 and to 4.5 quads, half its current value, in 2000.

It does not appear that this will have a very significant effect on employment, except among those engaged in research on efficiency improvements and in changing over auto production lines. Less steel is likely to be used, but steel input is only about 7 percent of the value of auto output, and one study found little net change due to the replacement of steel by plastic. [41] Another study concluded that the nonfuel cost of automobiles getting up to 40 miles per gallon is "remarkably insensitive" to gas mileage, suggesting again little job impact. [23]

Petroleum may also be saved by using electrically powered vehicles, especially for intraurban travel, with the electricity supplied now by coal- or nuclear-fired powerplants but, eventually, by direct or indirect solar energy. Already there are battery-powered autos and minibuses being operated successfully on an experimental basis, and this seems a promising approach to pursue. However, because solar-generated electricity will not be widely available by 1990, this will not be a significant part of our projected "solar economy" in that time frame.

Modal Shifts

Encouraging the shift from use of the energy-inefficient auto and airplane to use of buses, subways, trolleys, and trains is an obvious step toward energy conservation. However, it is difficult to achieve much energy saving this way, at least in the short run. For instance, less than 3 percent of urban passenger travel today uses mass transit, so even a doubling in the number of people who ride the buses and subways will hardly make a dent in automobile travel. In fact, Hirst has estimated that such a doubling would save only 0.1 quad per

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year. [67] Existing mass transit systems cost about $4 billion each year. Doubling their size and, presumably, their ridership would involve adding this much operating expense, plus an investment of at least twice this much in equipment, rail-bed, repair facilities, etc., while saving about $0.5 billion in gasoline purchases. Converting this into the terms we have been using previously, and treating operating expenses as being equivalent to an investment paying 10 percent annual interest, mass transit costs $500 per MMBtu per year saved. This is much greater than the cost of other types of energy-saving investments we have examined. In addition, unlike other measures we have discussed, it requires a change in everyday behavior—riding mass transit to work—if the energy savings are to be realized, and it would continue the consumption of nonrenewable fuels.

Some degree of modal shift can be accomplished without any additional investment, as individuals are encouraged to change to more energy-efficient modes of travel. Quantitatively, this will show up as an increase in the load factor (the average number of passengers) riding buses and trains and as an increased load factor for automobiles, as carpooling to work is encouraged. This is, in fact, the least-costly way of reducing urban auto travel, and it could have significant effects; increasing the number of cars carrying two people from an average of 1 out of 5 to 2 out of 3 could save nearly 1 quad.

Projection

The DRI projections foresee, as a result of rises in the price of oil, a decline in gasoline consumption of 5 quads between 1977 and 1990. This is consistent with the effects of improvements in automotive efficiency and shifts to mass transit we have discussed. As to employment impacts, the former, while effective in reducing gasoline consumption, opens up few employment opportunities. The latter, while potentially a large job-producer (through the manufacture and installation of mass transit systems and the operation of such systems), will not produce enough energy savings to be justified on these grounds alone. Thus we do not project any specifically energy-related employment impacts related to conservation measures in the transportation field.

In the long run, shifts to mass transit can induce a trend toward higher density construction, which will lead both to more energy-efficient housing and to additional use of mass transit instead of private automobiles. Studies suggest that high-density planned communities can enable the construction of more energy efficient housing, make solar energy installations more feasible and more efficient, and greatly reduce transportation costs. Energy savings of over 60 percent have been estimated. [28, 68, 69, 29] Thus, though investment in mass transit cannot be justified on short term energy conservation grounds alone, it does appear to be an intrinsic part of any long-run energy-conserving strategy. [70]

6. PORTABLE FUELS

Organic waste matter, or biomass, represents an important energy source for the future. Agricultural wastes, as well as sewage and other urban wastes, contain stored-up solar energy—just as does petroleum,

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the end product of a once-living, energy-storing plant. These wastes can be burned to produce heat and electricity, but they will be far more valuable in the future as sources of liquid and gaseous fuels. There are other, equally efficient ways of using solar energy to yield heat and electricity, but there is no other readily available source for the portable liquid and gaseous fuels needed for transportation.

Biological material can be processed to yield methane, the combustible ingredient in natural gas, and two forms of alcohol, ethyl alcohol (ethanol or grain alcohol) and methyl alcohol (methanol or wood alcohol). Our current transportation system would require little modification to use these solar-generated fuels. Already, gasoline mixed with 10 percent alcohol is being used in the Midwest, and Brazil is now producing ethanol (at 2–3 times the U.S. price of gasoline) for automobiles. [4]

An acre of grain (30 bushels) could produce 15,000 cubic feet (16 MMBtu) of methane or 85 gallons (8 MMBtu) of ethyl alcohol per year. An acre of corn could produce twice this; sugar beets could produce even more. [71] (Note that, per gallon, ethanol and methanol have 76 and 54 percent, respectively, of the energy content of gasoline.)

The energy content of the 1,600 million tons per year of current waste products (crop residues, animal feedlot manure, and urban waste) is about 8 quads. This is expected to rise to 16 quads by the year 2000. About one-half of this is recoverable in the form of methane or alcohol, because of losses and fuel usage in the conversion process. [72, 73] Waste products yield about 3,500 Btu per pound, about one-third the energy value of coal.

Biogas plants using anerobic fermentation to produce methane, or pyrolysis to yield a low-Btu gas, cost $10–25 per MMBtu per year. [4, 74] Plants producing alcohol cost $15–$35 per MMBtu per year output.[a] [40, 75]

Setting as a goal the conversion of one-half of all agricultural and urban waste products to methane or alcohol by the year 2000, we find the following:

TABLE B-10

Annual investment (billions of dollars)	4.3
Number of jobs:	
Direct	89,000
Indirect	77,000
Total	166,000
Energy saved (quads per year):	
1990	1.8
2000	4.0

We have determined the employment impact using BLS Sector 17, New Public Utility Construction.

Waste processing plants require about 30 employees per trillion Btu's per year output. [74] Using the BLS estimate of 1.83 for the average ratio of indirect to direct jobs in Electric Utilities (BLS Sec-

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[a] Another potential source of portable energy is hydrogen, which can be produced from water using electricity or high temperatures. It has been estimated that hydrogen production using solar thermal receivers (power towers) would require an investment of $22 per MMBtu per year. [76]

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tor 126) and Water and Sanitary Services (BLS Sector 128), this yields for 1990 about 54,000 direct jobs and 97,000 total jobs in operating these plants.

7. ELECTRICITY

There are a variety of ways of producing electricity using energy from the Sun. With active stimulation of the market via Federal policy, and financial measures that can overcome some of the institutional barriers, these could make a substantial contribution to the Nation's energy needs by the end of this century.

Photovoltaics

Photo-sensitive semiconductors have been used for several decades to provide usable amounts of electricity, especially for applications in outer space and rural areas. Production volume has been low and costs high, so they have not been able to provide electricity at a price comparable with that produced in conventional fossil fuel- or nuclear-fired powerplants. However, production is beginning to expand, active research and development are underway, and prices appear to be falling rapidly.

Solar cells cost $2,000 per peak watt in the late fifties. By the end of 1977 they could be purchased for as little as $6 per watt. [31] Electricity from such systems would cost about $1 per kWh, still about 25 times the cost of conventionally produced electricity.

Department of Energy goals call for the achievement of photovoltaic array prices of $1–$2 per peak watt in 1980, of 50 cents per peak watt in 1986, and of 10–30 cents per peak watt in 1990, at which point there would be annual sales of 50,000 peak megawatts of capacity. At this rate solar electricity would be contributing more than 20 percent of the annual additions to electric generating capacity foreseen in the usual projections. [77] The Congressional Office of Technology Assessment has found these goals "optimistic but not impossible," while noting that "achievement of costs below $1–$2 per watt will require a considerable amount of engineering development work." [35]

Assuming that these goals are met, and that photovoltaic arrays reach an average of 20 cents per peak watt, an installed collector system will cost 30–75 cents per peak watt, or $2–$5 per square foot. [35] Since cell conversion efficiencies are about 10 percent, and the average "insolation" in the United States is about 0.60 MMBtu per year per square foot, such a system will cost $30–$80 per MMBtu per year (or, equivalently, 10–27 cents per kWh per year).

In such a system the photovoltaic cells account for as much as two-thirds of the cost. An alternative design, which can use fewer, more expensive, and more efficient cells, uses an optical concentrator that tracks the sunlight and focuses it upon the cell. In such a system the cell represents only about 20 percent of the cost, so its design and implementation need not await future developments in technology. However, the use of more efficient cells allows the system to capture and convert more of the sunlight. OTA suggests efficiencies of 15–30 percent, and the cost of electric energy produced this way would be $50–$120 per MMBtu per year. [35, 78]

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A further variant is to use the photovoltaic system in a cogeneration mode, using water or air to draw off heat from the collector for space and water heating. Such a system allows recovery of four to five times as much heat energy as electricity. It is nearly as efficient at collecting heat as a flat-plate collector and can reduce by one-half the cost of solar electricity. [79]

Wind Power

The wind was used as a source of energy until driven out by (primarily) hydro-produced electricity. It is now making a comeback; individuals and groups are installing wind-powered electric generators on their homes and farms, and active R. & D. is underway on advanced windmill designs. As the costs of conventional electric sources climb, wind becomes more attractive as a fuel-free source of energy.

Windmills are becoming commercially available in the price range of 40–60 cents per peak watt and in power ratings from a few kilowatts to several megawatts. [49, 4] Placed at locations having average wind speeds of 14 miles per hour, wind generators will produce about 1,250 kilowatt-hours per year for each kilowatt of rated power. [71] Thus the price of this equipment is 30–50 cents per kilowatt-hour per year, or $100–$150 per MMBtu per year.

Heat Engines

Solar energy may be used to drive heat engines, just as the heat from burning coal or fissioning uranium drives steam-powered turbine-generators in central power stations. A number of efficient engines that can operate at temperatures which are accessible via solar collectors exist or are under development, in the price range $100–$400 per kilowatt. [35] Assuming efficiencies of 15 percent and operating load factors (reliabilities) of 80 percent, and coupling them to suitable collectors, we find system costs of $40–$140 per MMBtu per year. These systems are complex and will require more maintenance than the relatively simple photovoltaic or wind systems.

Projection

Let us set as a goal the furnishing of 25 percent of current electricity production, or 1.75 quads per year, through these solar-based sources by the year 2000. Let us also, equally arbitrarily, assume that each of the three sources gives one-third of this output. Then we find the following:

TABLE B-11

	Annual investment (billions)	Number of jobs (thousands)			Energy saved (quads per year)	
		Direct	Indirect	Total	1990	2000
Photovoltaics	$3.6	69	53	122	0.16	0.58
Wind	5.3	91	81	172	.16	.58
Heat engines	3.4	31	59	90	.16	.58
Total	12.3	191	193	384	.48	1.74

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Here we have assumed these programs start in 1985, after a period of technological development, build up to 1990, and are at a constant level of investment thereafter. We have determined the employment impact using:

For photovoltaics, two-thirds of the employment arising from demand placed upon Electronic Components (BLS Sector 101), one-third upon New Residential Building Construction (BLS Sector 15).

For wind energy, Electrical Industrial Apparatus (BLS Sector 95).

For heat engines, Engines, Turbines and Generators (BLS Sector 83).

8. NONRENEWABLE ENERGY SOURCES

Introduction of the various measures suggested in the preceding sections of this Part would substantially curb the consumption of nonrenewable fuels. Conservation measures would reduce the overall need for energy, and renewable energy forms would begin to replace the fuels that predominate today.

If we bring together the savings achieved with each of the CARE measures, we can find the total savings in 1990. To allocate the savings among the various fuels, we assume that they take place in the same proportion as the usage projected by DRI for each sector. Only fuels directly consumed in each sector are included in the savings; fuels used by the electric utilities are treated separately as inputs into that energy-producing sector. We find the following consumption pattern, compared with the Data Resources projection for 1990:

TABLE 8-12

	Savings (quads per year)	End-use consumption (quads per year)	
		DRI	CARE
Coal	1.6	6.2	4.6
Natural gas	5.9	17.4	11.5
Petroleum	7.5	41.1	33.6
Electricity	8.8	13.5	4.7
Total	23.8	78.2	54.4

To determine the impact of these savings upon employment in each of the fuel-producing industries, as well as in those industries that supply them with goods and services, we compare the savings with the total consumption of each fuel, including the primary fuels used by electric utilities. The reduction in electricity use leads to substantial savings in primary fuels, which must be apportioned among the sources of electrical energy—coal, natural gas, petroleum, nuclear, and hydropower. To do this we assume that (1) the use of natural gas and petroleum is reduced to negligible levels, in accord with the widely accepted desire to avoid using these rapidly depleting fuels in situations where other fuels can serve equally well; (2) the contribution of nuclear energy is not raised above its current level, to avoid the manifold problems posed by an increasing quantity of fissionable materials and waste products; and (3) the contribution of hydropower is not reduced at all. We then find the following reductions in consumption of primary fuels:

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TABLE B-13

	Primary fuel savings (quads per year)	Primary fuel consumption (quads per year)	
		DRI	CARE
Coal	13.9	28.1	14.2
Natural gas	7.1	18.6	11.5
Petroleum	12.8	46.4	33.6
Nuclear	11.1	13.3	2.2
Hydropower		4.3	4.3
Total	44.9	110.7	65.8

The fractional savings in primary fuels and in electricity resulting from the introduction of conservation and solar energy in 1990, compared to the DRI projection for 1990 and the 1977 level of consumption, are as follows:

TABLE B-14

	CARE compared to (percent change)—	
	DRI 1990 projection	1977 consumption
Coal	−49	−4
Natural gas	−38	−35
Petroleum	−28	−11
Nuclear	−83	0
Hydropower	0	+40
Electricity	−65	−29

These projected reductions in the use of nonrenewable fuels would affect both spending on consumption of these energy forms during 1990 and investment that year for future production. We assume the following effects upon the corresponding industries:

Reductions in current spending on coal mining, petroleum production, refining, and distribution, natural gas production and distribution, and electricity production (including the primary fuels that feed it) proportionate to the reduction in end-use consumption (Table B-12).

No change in investment in petroleum and natural gas exploration. The continued demand for oil and gas, along with the increasing difficulty of finding new domestic sources of these fuels, will necessitate a continued high level of exploration.

No investment in new electric powerplants. The projected consumption of electricity is 29 percent less than the 6.7 quads consumed in 1977. Currently existing plants, plus those now under construction and due to be completed within the next decade, will provide an excess of capacity, in this projection, by 1990. They will have useful operating lives of at least 30 years and, by that time, can be replaced by the solar sources discussed in the preceding section. Since the 1960's, electric utility construction has composed about 43 percent of all public utility construction (which includes not only electricity production and distribution facilities but gas utilities, sewage treatment plants, water systems, and telephone and telegraph facilities). [80, 81] We assume that this proportion is maintained through 1990. (The BLS

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projections shows no unusual rise in spending on public utility construction, though some electric industry spokesmen have called for such an increase. [82] We also assume that 25 percent of electric utility construction is composed of transmission and distribution facilities whose construction continues, while plant construction costs must be supplemented by a 25 percent overhead for such utility expenses as land, insurance, and interest.

Using these assumptions, we find the following dollar savings:

TABLE B-15

	Reduction in annual expenditures (dollars in billions)
Current operations:	
Coal	[1]2.4
Natural gas	[1]7.0
Petroleum	[1]21.5
Electricity	71.0
Investment: Electricity	10.0
Total	118.8

[1] These figures give the reduction in spending for end use consumption only, not for electricity production, and are obtained from the ratio of the first column of Table B-12 to the second column of Table B-13 and the BLS projections of output in 1990. They include expenditures for transportation and wholesale and retail trade, as well as production.

To estimate the employment impact of these reductions in spending, we must examine each energy source in turn, since the proportionality assumption inherent in the use of the input-output method cannot be applied to much of the energy industry:

We expect employment in the coal industry to be approximately proportional to its output. With the reduction in consumption, fewer mines will have to be opened and fewer coal trains loaded, resulting in fewer work crews and less administrative overhead. As Table B-14 shows, there is an overall reduction of 49 percent from projected 1990 levels. Using the BLS projections for Coal Mining (BLS Sector 11) and the Rail Transportation Sector, we find a reduction of 263,000 direct jobs and 397,000 total jobs.

We expect little or no reduction in employment in the natural gas industry as a result of the projected 38 percent reduction in output. Employment depends on the scale of this industry, not its output. The distribution network and the number of customers to be served will not change very much, since some industrial heating, home cooking, etc., will still use natural gas, and there will still be a need for back-up to the renewable energy systems.

We expect a major share of the 28 percent reduction in petroleum use to be achieved through reductions in imports, which are projected by BLS to amount to 57 percent of petroleum consumption in 1990. Thus, domestic production will not decline as much as total consumption, and we expect no reduction in the number of petroleum refineries or other petroleum distribution facilities. As in the case of the gas industry, employment in these facilities depends more on their number than on their output, so we expect little or no change in employment. On the other hand, we expect some reduction in the number of persons engaged in selling petroleum (especially fuel oil) to residences and industries. Assuming a wholesale markup of 25 percent and using em-

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ployment projections for Wholesale Trade (BLS Sector 129), we find a reduction of 103,000 direct jobs and 147,000 total jobs. [37]

Today about 22,000 workers are employed in uranium exploration, mining, refining, and enriching, and much of their output goes to military uses and research. [83] An expanded nuclear industry such as is envisioned in the DRI projections would rely to a great extent on imported and reprocessed uranium. Thus we expect little reduction in employment in this industry in our 1990 projections, and none compared to today.

As with the case of natural gas, employment in the electric utility industry depends more on the extent of the industry—the number of powerplants, the size of the distribution network, the number of customers served—than on its annual output. Only about 15 percent of those employed in the industry work in the powerplants; the rest maintain and repair the distribution system, provide customer services, and carry out various clerical and administrative tasks (e.g., billing, meter reading, etc.). [83] Most employees, in other words, are more part of the overhead than of output-related costs. Thus, BLS projects a 115 percent growth in output by 1990 but only a 19 percent increase in employment. If we assume that our projected 65 percent reduction in electricity consumption reflects a cut in the number of powerplants but not in the extent of the distribution system or the number of customers (who still need electricity for various operating needs and as backup for solar systems), we expect about a 10 percent reduction in employment, or a cut of 50,000 direct jobs and about 100,000 total jobs.

The elimination of electric utility construction reduces Public Utility Construction (BLS Sector 17) by 32 percent. Using the BLS projection, this leads to a reduction of 264,000 direct jobs and 493,000 total jobs in 1990.*

Putting these together, we have the following reductions in employment as a result of the reduced consumption of nonrenewable fuels and reduced investment in energy production facilities:

TABLE B 16

	Number of jobs (thousands)		
	Direct	Indirect	Total
Current operations	416	228	644
Investment	264	229	493
Total	680	457	1,137

9. The Disposition of Energy-Related Savings

The total CARE investment in 1990, and the cumulative investment through 1990, are:

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*It may be noted that the direct jobs estimated here are consistent with the current employment of about 130,000 in electric powerplant construction and with the 6 percent per year growth in construction needed to achieve the DRI-projected electricity output in 1990. [81]

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TABLE B-17

[In billions of dollars]

	Annual investment		Cumulative investment	
	Conservation	Solar	Conservation	Solar
Residential	7.8	14.8	67.1	127.3
Commercial	2.4	6.6	20.6	56.7
Industrial	5.3	6.6	45.6	104.0
Portable fuels		4.3		37.0
Electricity		12.3		45.2
Total	15.5	50.1	133.3	370.2
Combined total		65.6		503.5

The annual saving on nonrenewable fuels is $53.2 billion more than the annual CARE investment. If CARE investments are made out of current income, and if the suppliers of nonrenewable fuels and electricity do not raise their prices in response to the decline in sales (to maintain a target rate of return on their previous investment, service their debt, etc.), these savings are available to be spent on additional goods and services. If these purchases are made in the same proportion as other purchases in 1990 of consumption and investment goods, this will create 1,870,000 additional jobs. (This is obtained from the ratio of the total number of jobs in the BLS projection, 114.0 million, to the GNP produced by that level of employment, $3,241 billion, or 35,174 jobs per $1 billion of average demand.)

On the other hand, energy suppliers may raise their prices, or earlier CARE investments may have been financed by borrowing, and there may then be fewer such jobs created. Those who have borrowed funds will be using a portion of their current income to pay interest and principal on these loans. They will have less money available to purchase additional job-producing goods and services. If loan payments can be held down by providing long-term loans at low rates of interest for CARE investments, and if energy industry price increases are limited, there will be substantial numbers of jobs created in this way (as well as substantial amounts of goods and services available to consumers who could otherwise not afford them.) As long as the loan payments and price increases in 1990 amount to less than 20 percent of the cumulative CARE investment, there will be net savings available and additional jobs produced. Clearly, a wide variety of financing options exist that can make this possible.

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Mr. **Hawkins**. Certainly, Dr. Britton, I want to agree with your suggestion about the inclusion of the public schools in such a way that they are not dependent on local governments or otherwise. Your suggestion, I think, is highly acceptable to the committee.

Mr. **Britton**. I was going to ask, Mr. Chairman, if you could give me some advice as to not only the bill that we are talking about at the present time, but how we in the public school sector should be addressing Congress—not only with existing legislation, but in the future—to get the needs of public schools up front? Is there something more we should be doing rather than just testifying? Why is it that public schools is behind the scene?

Mr. **Hawkins**. I would say that you are doing a reasonably good job of addressing it already, especially to this committee of the House, the Education and Labor Committee. The school people have been in touch with us recently for a more specific inclusion in H.R. 1036. I think a reasonably good job is being done.

I think the matter is that we just run up against the same old problem of not enough money to go around, and again we get into the budget issue, the deficit issue, that any expenditure of any kind, without regard to its merit, adds to the deficit. This committee disagrees. However, this committee is not necessarily typical of the composition of the Congress and, for that reason, I don't want to mislead you.

However, I think your testimony today is helpful. It is the type of testimony I think we need to encourage. We are in consultation with some of the recognized national organizations of the school people to get a much broader and more specific inclusion in the pending legislation, and I hope that we can work out something with them.

Mr. **Britton**. Thank you.

Mr. **Hawkins**. Thank you.

Again, I will thank the witnesses for very excellent testimony, and we are delighted that you were able to appear before the committee today. Thank you.

Mr. **Britton**. Thank you.

Ms. **Morgan-Hubbard**. Thank you.

Mr. **Hawkins**. The next and final witness is Mr. William Mirengoff, Senior Research Associate of the Bureau of Social Science Research, Washington, D.C.

Mr. Mirengoff, we are sorry we had to depend on your patience today, but we have had a group of excellent witnesses, and—I know I don't have to tell you—it is a subject with a great deal of searching for the right answers.

I appreciate the correspondence I have had with you and the recent opportunity you had to address some of this problem in one prominent newspaper. I enjoyed your article. Certainly as one who recalls some of your earlier experience in government, I am delighted to welcome you back again today before this committee.

STATEMENT OF WILLIAM MIRENGOFF, SENIOR RESEARCH ASSOCIATE, BUREAU OF SOCIAL SCIENCE RESEARCH, WASHINGTON, D.C., ACCOMPANIED BY LESTER RINDLER, BUREAU OF SOCIAL SCIENCE RESEARCH

Mr. MIRENGOFF. Thank you very much, Mr. Chairman. I admire your "sitability" as the hours roll by.

I do thank the committee for the chance to participate in these hearings and the outstanding proposal that your committee has produced to address the Nation's problem of unemployment.

With me is Mr. Lester Rindler, my associate. As you know, I have been the director of a series of evaluation studies of CETA, and before that, Director of the Job Corps and Administrator of the Emergency Employment Act. If you go back far enough, my first job was with the WPA. This is an area of some interest to me.

I would like to discuss the Community Renewal Employment Act in the context of six principles that our studies suggest should underlie a sound jobs program.

First, simplicity: Keep the purpose and administration of the program simple. Don't encumber it with multiple objectives, and don't entangle it with other programs. Many of the problems that CETA had resulted from trying to do too much for too many.

Second, timeliness: Get the program started quickly and phase it out rapidly when the need no longer exists. If it is to perform its countercyclical function, enrollment levels should move in tandem with levels of unemployment. Unless this occurs, the effect of a jobs program may be procyclical.

H.R. 1036 does have an annual trigger that relates the size of the program to the level of the long-term unemployment. However, it is not sensitive to the changes that may occur during the year. Once funds are obligated, it is hard to turn off the expenditure spigot, particularly if large construction projects are involved.

It might be possible, however, to control this process by setting limits on the size as well as the startup and completion date for the projects.

Third, targeting: Put the money where the needs are greatest. Since resources are not likely to be available to reach all of the jobless—and you made that point a moment ago, Mr. Chairman—the funds should be targeted at individuals whose needs are most pressing and at places where unemployment is most severe.

With respect to people, H.R. 1036 properly limits the program to individuals unemployed for 15 of the last 20 weeks. I would suggest that provisions be added to insure that important segments of the long-term unemployed—mainly youth, women, and minorities—be treated equitably.

I also believe the bill's formula for the geographic distribution of funds could be sharpened in two respects. One, the allocation of program resources should be consistent with the eligibility requirements for admission to the program. In other words, the incidence of long-term unemployment should be one of the elements in the allocation formula.

Two, the formula should be tightened to increase the proportion of funds going to areas of greatest distress. H.R. 1036 allots equal proportions of funds to areas on the basis the relative number of unemployed persons; the relative number of excess unemployed, 4.5 percent; and the relative number of persons residing areas of substantial unemployment, 6.5 percent.

However, since all major areas have rates in excess of 4.5 percent and most have rates above 6.5 percent, these two elements may not produce the kind of effect intended.

You might consider some alternatives. One, raise the cutoff points from 4.5 and 6.5 percent to 6.5 and 9 percent respectively. Two, use the percentage of unemployment in excess of the national average—for example, 115 percent of the national average—in place of a fixed percentage.

In addition, I suggest the deletion of that provision of the bill that restricts 73 percent of the allocation to areas where unemployment averages 9 percent or more. This eliminates about the one-half of the labor force in the country and about 40 percent of the unemployed in the country.

Fourth, people and things: A job creation program should be directed toward people as well as things. We need both public works and public service activities. There is undoubtedly a need to prevent the deterioration of our physical infrastructure. But I suggest the need to prevent the deterioration of our public service infrastructure is no less compelling. Are the needs of the sick and elderly less critical than the need to paint bridges or repair roads?

I believe the time has come to rehabilitate the public service employment concept and to restore it to the employment and training lexicon.

The type of job creation activity drives other aspects of the program. For example, heavy construction projects are likely to have long leadtimes, high unit costs and employed skilled adult workers rather than youth and minorities whose unemployment rates are more than twice the national average.

I am pleased to note that the list of activities in H.R. 1036 includes both public works and public service projects. I suggest, however, the inclusion of education, a point made by the previous witness. We found that both in the Emergency Employment Act program and in the CETA program, about 18 percent of all participants were in the area of education and performing extremely valuable and widely accepted work.

Fifth, labor intensity: Put most of the money into the pockets of the program participants. A high ratio of labor to nonlabor costs maximizes the number of jobs that can be generated with a given funding level. The mechanism to control labor intensity is the limit set on the proportion of funds that may be used for nonwage purposes.

H.R. 1036 limits the proportion of Federal funds available for nonwage items to 25 percent. This may be too high for public service projects that require little capital expenditures or expensive supplies. In such cases, virtually all of the 25 percent could be used for administration. On the other hand, 25 percent may be too low for public works projects requiring large capital outlays and supplies. To avoid excessive expenditures for administration, H.R. 1036 should stipulate the percentage that may be used for administrative costs.

Six, program integrity: Keep the program clean. In view of the poor image of public service employment, program integrity must be a central concern of any job creation legislation. A $5 billion program of any kind of vulnerable to abuse.

However, the lessons of the CETA experience may be helpful in addressing this issue. The shortcomings of CETA have received wide circulation. But the steps taken by this subcommittee in 1978 to constrain those abuses have gone largely unnoticed. To prevent the enrollment of ineligible persons, the amendments of 1978 prescribed tight eligibility determination and verification procedures. The establishment of the Office of Inspector General in the Department of Labor and independent monitoring units at the local levels, as well as extensive auditing, all help to protect the program. But the most counting measure was the fixing of liability for these expenditures on current sponsors and the imposition of sanctions. These kinds of measures might be useful in the Community Renewal Employment Act.

One of the most frequent criticisms leveled at public service employment is substitution, the use of Federal funds to supplant rather than supplement local resources. The CETA amendments of 1978 tackled this problem with some success by eliminating some of the incentives to substitute, such as unlimited tenure of participants and access to highly qualified workers. In the absence of strong legislative and administrative measures, this issue is likely to reappear.

H.R. 1036 repeats the admonitions we find in earlier legislation, but I suggest that more exclusive provisions are needed.

There is one other major point I would like to bring to your attention. The wage rate issue has plagued the CETA program and may be even more troublesome under H.R. 1036. H.R. 1036, like CETA, requires that participants be paid at the prevailing rate, but sets a maximum of $10,000. One difficulty is that many jurisdictions cannot meet both conditions. Few or large cities have wage rates as low as $10,000, even in 1979. The committee may wish to consider raising the maximum to $12,000 or to resolve the prevailing maximum wage dilemma by retaining the prevailing hourly or weekly rate, but reducing the number of hours for persons whose prevailing rate would bring them above the maximum. The shortened work week would permit time for job search activity.

I would conclude by noting that the purpose of H.R. 1036, as well as other employment bills is to create jobs for unemployed persons. Some referred to this as make-work, and indeed they do make useful work for those who need it. These programs, although not intended to cure the Nation's ills, do provide a quick fix in much the same way as aspirin does for those in pain. Perhaps a better characterization would be short-term help.

Thank you.

Mr. HAWKINS. Thank you, Mr. Mirengoff.

[The prepared statement of William Mirengoff follows:]

Prepared Statement of William Mirengoff, Senior Research Associate, Bureau of Social Science Research, Washington, D.C.

Mr. Chairman, members of the Subcommittee, I thank you for the opportunity to participate in these hearings and commend you for producing an outstanding proposal to address the needs of the Nation's unemployed.

I am William Mirengoff and with me is my colleague, Mr. Lester Rindler. For the past several years, I have directed a series of CETA evaluation studies under the auspices of the National Academy of Sciences and the Bureau of Social Science Research. Before that I was the Administrator of the Emergency Employment Act.

I would like to discuss the Community Renewal Employment Act in the context of six principles that our studies suggest should underlie a sound jobs program.

First, simplicity: Keep the purpose and administration of the program simple. Don't encumber it with multiple objectives or entangle it with other programs. Many of the difficulties of CETA resulted from trying to do too much for too many. Administer H.R. 1036 through a small central staff dealing directly with the State and local units of government responsible for operating the program.

Second, timeliness; Timing is an important element in a countercyclical program. Such programs must be started quickly and phased out rapidly when the stimulus is no longer needed. If it is to perform its countercyclical function, enrollment levels should move in tandem with levels of unemployment. Unless this occurs, the effect of a jobs program may be inflationary and pro-cyclical. This problem arose in the Local Public Works program initiated in 1976. Due to the long lead time required to begin projects, the employment effects were not realized until the economy began its recovery.

Fine tuning, however, is a very sensitive process. It is affected by the amplitudes of the recession/recovery swings as well as by the type and duration of the projects undertaken. It is particularly difficult to control the enrollment - unemployment relationship on the downside. Once funds are obligated, it is not easy to turn off the expenditure spigot, especially if the projects are large construction undertakings. Public service activities, on the other hand, are easier to start and stop.

The Emergency Employment Act (EEA) was quickly implemented and easily phased down. The first participants were on the job a few weeks after the legislation was signed and three quarters of the authorized number of enrollees had entered the program during the first year. EEA was phased down at the end of its two year authorized period as unemployment dropped from 5.9 to 4.9 percent. It is worth noting that an unemployment rate of 6 percent was, at that time, serious enough to warrant emergency action.

The Community Renewal Employment Act (H.R. 1036) does have an annual trigger that relates the size of the program to the level of the long-term unemployed. It is not, however, sensitive to changes that may occur during the year. It might be possible to improve its sensitivity by setting limits on the size as well as the start-up and completion dates for projects.

The timing issue is especially critical when public works projects requiring planning, subcontracting and delivery of materials are involved. The Local Public Works Act of 1976-78 required that employment begin within 90 days of project approval. The review and approval process took 44 days and nearly all projects did in fact begin within 90 days. Nevertheless, it took about 4-1/2 months to start a project. The build-up of on-site employment was slow and peak employment was reached about one year after enactment.

Third, targeting: Since resources are not likely to be available to reach all of the jobless, funds should be targeted at individuals whose needs are most pressing and at places where unemployment is most severe. With respect to people, H.R. 1036 is properly limited to individuals who have been unemployed for 15 of the last 20 weeks. Some provision, however, should be made to ensure that significant segments of the long-term unemployed (youth, women, minorities) are treated equitably and priority is given on the basis of duration of unemployment. This, of course will affect the type of projects that are undertaken.

With respect to places, the geographic distribution of resources shsould reflect the relative severity of unemployment. H.R. 1036 does this, but I believe the allocation formula could be sharpened in two ways.

1. The allocation of program resources should be consistent with the requirements for eligibility for admission to the program. To accomplish this, the incidence of long-term unemployment should be an element in the allocation formula. I recognize that there may be some technical problems in generating this kind of data for all areas. However, I believe that they can be overcome.

2. The allocation formula should be tightened to increase the proportion of funds going to areas of highest unemployment. H.R. 1036 allocates equal proportions of funds to areas on the basis of: (a) the relative number of unemployed persons, (b) the relative number of excess unemployment (4.5 percent) and (c) the relative number of persons residing in areas of substantial unemployment (6.5 percent).

However, since all major areas had unemployment rates in excess of 4.5 percent and almost all had rates above 6.5 percent, these two elements may not produce as much of the kind of distributive effect intended.

Consideration should be given to some alternatives:

1. Raise the cutoff points in the formula from 4.5 and 6.5 percent to 6.5 and 9.0 percent respectively
2. Use the percentage of unemployment in excess of the national average (example, 115 percent) in place of fixed percentages
3. In any event, build the incidence of long-term unemployment into the allocation formula.

In addition, I suggest the deletion of the provision in the Bill that restricts 73 percent of the allocation to areas where unemployment averages 9 percent or more. This provision would minimize funds for a sizeable proportion of the nation's labor force. The targeting objective could be accomplished by a refinement of the allocation formula.

Fourth, people and things; My fourth point concerns the kinds of activities to be supported by a jobs program. In my view, a job creation program should be directed to people as well as things. We need both public works and public service activities. H.R. 1036 does this. The public service employment program under CETA was commonly thought of as a completely service oriented program. In fact, however, 44 percent of all PSE workers were engaged in public works, parks and recreation. Only 8 percent were in the social services. The remainder were employed in educational, safety, health and other essential activities. There is undoubtedly a need to prevent the deterioration of our physical infrastructure. Moreover, these projects have the advantage of being visible and durable. but I suggest that the need to prevent the deterioration of our social fabric is no less compelling.

Are the needs of the sick and elderly or the need for fire and police protection less critical than the need to paint bridges or repair roads?

I believe the time has come to "rehabilitate" the concept of public service employment and restore it to the employment and training lexicon.

The type of project activity drives other aspects of the program. For example, heavy construction projects are likely to have long lead times, high unit costs and to employ skilled adult workers rather than youth and minorities whose unemployment rates are double the national averages.

There is a critical difference in the characteristics of the persons employed in CETA and the Local Public Works (LPW) programs.

	CETA(PSE) (percentages)	LPW
Male	55	99
Age: 14-19	12	4
20-44	75	67
45 AND above	13	29
White	51	78
Black AND others	49	23
Unemployed status	90	13

I am pleased to note that the list of acceptable occupations in H.R. 1036 includes both public works and public services. I would, however, suggest that education be added to the list. We found it to be a significant activity in CETA and EEA.

Fifth, labor intensity; The purpose of countercyclical programs is to maximize the number of jobs that can be created at a given funding level. The key to this objective is a high ratio of labor costs relative to non-labor costs. Setting a limit on the proportion of funds that may be used for non-wage purposes provides a mechanism to control the labor intensity of projects. In some instances, it may also generate leverage to obtain non-federal funds. For example, communities anxious to engage in projects requiring large capital outlays, may contribute their own local funds to supplement the Federal allotments.

The proportion of Federal funds permitted to be used for administration in most of the CETA-PSE programs was 15 percent in 1980. The percent actually spent for this purpose, however, was considerably lower.

H.R. 1036 limits the proportion of Federal funds that may be used for administration and the purchase of supplies, tools and equipment to 25 percent. This may be too high for public service projects that require little capital expenditure or expensive supplies. In such instances, virtually all of the 25 percent could be used for administration. On the other hand, 25 percent may be too low for public works projects using large capital outlays. To avoid excessive expenditures for administration, H.R. 1036 should stipulate the percentage that may be used for administrative costs.

Another measure of labor intensity is the number of jobs created per 1 billion dollars of expenditures. THis sum spent on local public works would generate about 26,000 direct and indirect person-years of employment. The same amount spent on public service employment would generate about 3 times as many jobs. In both cases there would be additional multiplier effects rippling through the economy.

How many jobs bwill a 5 billion dollar appropriation generate? If we ~~assure~~ assume that 75 percent of the appropriation will be available for wages and an average wage of 10,000, about 375,000 person-year jobs will be created. This will reach 9.4 percent of the 4 million long-term unemployed. However, since it is unlikely that the program will start in the first half of the fiscal year, the full 5 billion dollars will support 750,000 individuals (half year equivalents). If there is turnover during the period, the number will be higher in fiscal 1984. The amount necessary to employ 20 percent of the long-term unemployed and the person-year jobs generated will be doubled. If we assume a multiplier effect for indirect job creation, the number would again be doubled.

A word about net costs according to the Congressional Budget Office, a one percentage point increase in the unemployment rate will increase the annual deficit by between 26-40 billion dollars. While we do not assert that an increase in public service employment sufficient to reduce the unemployment rate by one percent will entirely offset this amount, some positive effects will be felt. In addition to the tangible effects of additional tax revenues, transfer payment offsets and the value of the goods and services produced, There are the intangible social effects, not the least of which is the dignity associated with employment in productive activities.

Sixth, program integrity; In view of the poor image of public service employment programs, integrity must be a central concern of any job creation legislation. Fueled by horror stories in the media, considerable attention had been directed to the shortcomings of PSE. But the steps taken by this Subcommittee in 1978 to constrain these abuses have largely gone unnoticed.

A 5 billion dollar job creation program will be vulnerable to abuse. However the experiences of CETA may be helpful in anticipating and addressing this problem. To prevent the enrollment of ineligible persons, the 1978 amendments prescribed strict eligibility determination and verification procedures. The establishment of an Office of Inspector General in the Department of Labor and independent monitoring units at the local levels as well as an extensive auditing system, helped avoid abuses. But the most telling measure was the fixing of liability for misexpenditures on the prime sponsors and the imposition of sanctions. These kinds of measures might usefully be added to H.R. 1036. The Community Renewal Employment Act does incorporate, by reference, the liability provisions of the Jobs Partnership Training Act. However, since the nature and administration of the two programs are quite different, it may be advisable to draft provisions that are specifically appropriate for H.R. 1036.

One of the most persistent criticisms of public service employment programs is "substitution", the use of Federal funds to supplant rather than supplement local resources. The 1978 amendments tackled the problem with some success by limiting the length of time a person could remain in the program and by removing some of the incentives to substitute, such as unlimited tenure of participants, access to highly qualified workers, and by installing a strong monitoring system.

Our CETA studies suggest that new, identifiable projects are less susceptible to substitution than an expansion of ongoing activities. The Abt Associates and Chase Econometrics reported that there was relatively little substitution in the Local Public Works program.

In the absence of specific legislative mandates, the substitution issue is likely to reappear. H.R. 1036 repeats the customary admonitions of earlier legislation, and incorporates, by reference, the general provisions of the Job Training Partnership Act; but I suggest that more explicit measures are indicated.

A large part of the fraud and abuse problem lies less with improper activities than with unrealistic expectations. There simply is no way that a multi-billion dollar program, employing half a million people in temporary jobs can be error-free.

There is one other major problem I would like to bring to your attention. The wage rate issue has plagued the CETA program and may prove to be even more troublesome under H.R. 1036. The Community Development Employment Act, like CETA, requires that its participants be paid prevailing wages, but sets a maximum of $10,000 per year. The difficulty is that many jurisdictions cannot meet both conditions. Few large cities had rates as low as $10,000, even in 1979. The Subcommittee may wish to consider raising the maximum to $12,000 or to resolve the maximum/prevailing dilemma by retaining the prevailing hourly or weekly rate, but reducing the number of hours of work for persons whose prevailing rates would bring them above the annual maximum. The shortened work week would permit time for job search activity.

I would like to conclude by noting that the purpose of this Community Renewal Employment Act, as well as the other employment bills is to create jobs for unemployed persons. This is sometimes referred to as "make-work" programs; and indeed they are. Perhaps "short-term help" is less purjorative characterization. Although not purporting to cure the nation's ailments, these programs do provide a "quick fix" in much the same way as aspirin does for a person in pain.

Bureau of Social Science Research, Inc.
1990 M Street, N.W., Washington, D.C. 20036
(202) 223-4300

Employment and Training
Evaluation Project

William Mirengoff
Director

March 28, 1983

The Honorable Augustus F. Hawkins
Chairman
Subcommittee on Employment Opportunity
House of Representatives
Washington, D.C. 20515

Dear Chairman Hawkins:

You will recall that during the March 3rd hearings, you asked that I suggest ways in which local data on the long-term unemployed can be obtained for use in allocating HR 1036 funds. The attached statement suggests methods for deriving such data. I realize that it would not be possible to complete the necessary work in time for the HR 1036 mark-up. However, this problem will continue to be with us and your Subcommittee may wish to pursue the matter.

The Bureau of Social Science Research has the computer and technical capability to develop the work outlined in the attached statement and I understand that the Congressional Budget Office has expressed a general interest in using BSSR resources. Would it be feasible for the Subcommittee to request technical assistance from the CBO or the Congressional Reference Service?

I will, in the few days send along some suggestions on the "substitution" issue in which you expressed an interest.

Sincerely,

William Mirengoff

WM/pk

Enc.

Measurement of the Long-Term Unemployed for Local Geographic Areas

Statement of the Problem.--HR 1036 calls for distribution of funds based on a three-part formula: a) the total number of unemployed in a state or area relative to the total number in the U.S., b) the relative number of unemployed in excess of 4.5 percent, and c) the relative number of unemployed in areas of substantial unemployment. However, since all major areas have unemployment rates in excess of 4.5 percent and almost all exceed 6.5 percent, these two elements may not produce as much targeting effect as intended. Moreover, since the intent of the proposed legislation is to target resources for job creation to the long-term unemployed, it would be appropriate to include the relative number of long-term unemployed as one of the elements in the formula. The problem is that data on the number of long-term unemployed are not available on a systematic basis for geographic units below the State level on a current basis.

Discussion.-- The Department of Labor uses State and local unemployment data obtained from State employment security agencies and from the Census Bureau's Current Population Survey (CPS), in allocating Jobs Training Partnership Act funds. The figures are estimates derived mainly from unemployment insurance records and from household surveys using standard methods of estimating.

Title III of the JTPA has a three-part funding formula, one element of which is the number of long-term unemployed. For this element, the DOL uses a 12-month average of the monthly CPS data on persons unemployed 15 weeks or longer in their current spell of unemployment. However, estimates of the long-term unemployed, based on a sample of households, are available within acceptable limits of reliability only at the State level. On the bases of data now available, there is no direct method of estimating the current number of long-term unemployed for geographic units smaller than a State.

Proposal.--The Bureau of Social Science Research proposes to study the data sources and feasibility of deriving estimates of the long-term unemployed for small geographic areas. Three data sources will be explored: unemployment insurance claims, CPS, and the 1980 Census data.

1. Unemployment Insurance Claims Data. We propose, to explore the possibility of using claims data, with some adjustments, to establish a relationship between total and long-term unemployment. We recognize that UI claimants do not necessarily have the same duration of unemployment patterns as those unemployed who are not covered by unemployment insurance.

UI claims are reported monthly by State; substate figures are available in the records of State employment security agencies. Figures on the duration of the current spell of unemployment are obtained quarterly from a sample of beneficiaries and are reported by State (Characteristics of Insured Unemployed).

Although these UI data cannot be used directly to reflect the distribution of the long-term unemployed in geographic units below the State level, it may be possible to estimate to estimate the number of long-term unemployed with a regression model using claims data and local unemployment estimates. To develop these regression models, we propose to examine the following relationships:

(a) For the U.S. as a whole, the number of insured unemployed with 15 weeks or more of unemployment compared with the total number of insured unemployed, at various unemployment rates, over a number of years.

(b) The same relationship by State over a period of time to arrive at separate State regression equations.

(c) If State data is accessible, the number of insured unemployed out of work 15 weeks or over in each area within a state compared with the total number of insured unemployed in that area and the unemployment rate at a given point in time. This would yield a cross-section type of regression.

We also propose to examine data on the number of persons claiming Federal Supplemental Compensation or other forms of extended benefits to see whether these data can be used as a direct surrogate for the number of long-term unemployed.

2. Current Population Survey Data. Similarly, we will attempt to derive regression equations based on the relationship between total and long-term unemployment in the monthly CPS reports based on a sample of 65,000 households. Three different kinds of data can be used:

(a) National data, expanded from the CPS sample, are readily available for the U.S. as a whole for a point in time.

(b) It may be possible to use monthly data by State over a period of time to develop discrete State regression equations.

(c) A third possibility would be to derive a regression equation based on a cross-section of State total and long-term unemployment data for all States and for major SMSAs in a given month.

Once a year, in March, a supplemental CPS schedule provides information on the work experience of the labor force during the course of the preceding year. These data show, for the U.S., the number of individuals unemployed at some time during the year distributed by duration of unemployment. The figures could be quite different from those in the monthly CPS which reports duration of the current spell of unemployment rather than the number of weeks at any time during a year. However, it may be possible to examine these data over a period of years to see whether a pattern can be derived between long-term and total unemployment.

3. 1980 Census Data. It may be preferable to use the 1980 Census data than either claims data or the CPS data as a basis for deriving a regression equations since CPS figures are not available below the State level and claims data reflect only covered employment. Summary Tape File 3C shows the number of individuals unemployed at some time in 1979 distributed by the number of weeks of unemployment during the year. These data are available for States, SMSAs, counties, and places of 10,000 or more population. This tape may be used to develop a cross-sectional regression equation showing the relationship between the ratio of long-term unemployment to total unemployment over the year. A "chow-test" can be used to determine if this cross-sectional model can be used to estimate long-term unemployment over time, given levels of total unemployment in specific areas. The regression equation might then be applied to area total unemployment estimates for current periods. (Later Census reports, not available as of March 1983, will show the duration of current unemployment as well weeks of unemployment over a year.)

Testing or Validating Regression Equations.--Conceptually a regression equation based on the monthly CPS data should be the standard by which others are tested since CPS figures are current and relate to all unemployed. Census data, on the other hand, are limited to one period of time when unemployment rates were generally lower than at present and UI data are limited to the covered unemployed. Since we do not know, a priori, whether the CPS or any of the alternative methods will show a significant relationship between the two variables (long-term unemployment and total unemployment) that will enable us to estimate the value of long-term unemployment at various unemployment rate levels when given the value of total unemployment, we propose to run and test regression models using each of the 3 data bases.

Simulations of Allocation Data.--Simulations can be made of the distribution of $1 billion in funds based on formulas proposed in the legislation and formulas in which long-term unemployed is included as an element. The following are simulations which can be developed for purposes of demonstrating the results of using the long-term unemployed as an element:

(1) A three-part formula set forth in the legislation.

(2) A three-part formula using 6.5 percent and 9.0 percent unemployment rates instead of 4.5 percent and 6.5 percent.

(3) A three-part formula is which the long-term unemployed are substituted for unemployed in excess of 4.5 percent.

(4) A three-part formula in which the long-term unemployed are substituted for unemployment in areas of substantial unemployment.

(5) A four-part formula in which long-term unemployment is added to the other three elements.

(6) A two-part formula, total unemployment and unemployment of 15 weeks or more.

(7) A one-part formula--long-term unemployment only.

Mr. **Hawkins**. I certainly feel that you have given us a lot of excellent suggestions. As you went through them, I had to agree with virtually all of them. The only ones I didn't agree with where not a disagreement in principle, but sometimes administrative problems and some, out of political consideration, didn't seem to be as practical as possible.

The question of wage rates is particularly a very excellent suggestion. It is something that we are very much concerned with. It is one of the main problems, I think, that we have. Your suggestion offers, I think, a possibility of possibly helping——

Mr. **Mirengoff**. It was an issue of very great difficulty. They couldn't find even an entry job that paid as low at the maximum. What they did, however, to get out of this box was to go through all kinds of stuff and they would invent artificial job titles and create all kinds of cosmetic changes to make it appear as though the job is less than what it is classified. The net result was a lot of erosion of the whole system of wage classification and a lot of dissatisfaction. If it was that bad in 1979 at $10,000, considering wage escalation and the fact that we are not talking about public works activity and thinking about Davis-Bacon wages, how are you going to resolve this problem?

Mr. **Hawkins**. It is very difficult. That is one of those I put in the classification of being political in nature more than anything else.

On the 73 percent allocation, that obviously was an attempt to use limited funds in the area of greatest need. In a sense, we were trying to avoid the admonition that you gave to us earlier that we were trying to do too much for too many people. Perhaps we did too little to too few in doing so. That was the rationale.

Mr. **Mirengoff**. I have no problem with what the intent is. I think the same objective can be accomplished by sharpening your formula. You won't need to, in effect, disqualify half of the country's work force. You can still get the kind of sharp targeting to those in areas where the needs are greatest by changing the formula in the area that I suggested.

Mr. **Hawkins**. I have one or two other questions that relate more to the general topic than to any of the issues raised in your statement. What agency would you recommend to administer a jobs program, both nationally and locally? That is one of our major problems.

Mr. **Mirengoff**. I wish you hadn't asked that.

Mr. **Hawkins**. We need the expert advice.

Mr. **Mirengoff**. In terms of the agencies which have had experience with public service employment, clearly the Department of Labor would be the vehicle in that direction.

If you are talking more emphatically about public works activities, then the Department of Commerce and EDA and its experience with the local public works program would be relevant. However, the problem there is that the orientation of that program and that administration was a things orientation more than a people orientation. I recall attempts made by the Department of Labor to relate to the local public works program to try to get some kind of relationship established concerned not only with things, but with people, but it was hard to do. Their thinking—their background is quite different.

Where do I come out? If we are thinking about a long-term philosophy, a long-term strategy, and not the immediate 2-year period, I would suggest that the Department of Labor might be the place to put it.

Mr. **Hawkins**. More specifically, what agency at the local level would you suggest? In dealing with that, would you care to also state what role the State government should play? That also has come into quite an amount of controversy.

Mr. **Mirengoff**. I would suggest that the relationship be a very simple and direct one, and that we avoid too many intermediaries that simply are going to delay the program. If you are talking a countercyclical program and it has to be initiated quickly, then you want to get the simplest kind of administrative structure possible. That, to me, suggests a small Washington staff dealing directly with the recipients of the funds. In this case it is primarily the local units of government and it would be the States where they are responsible for the program operation. We did that in EDA and it worked very well.

Mr. **Hawkins**. We have many other questions, but I am also very well aware of the fact that you are reachable on a continuing basis. Hopefully, we will have the opportunity to call on you from time to time as we move ahead. All of the problems can't be anticipated. As a matter of fact, we already have enough. We don't have to anticipate any additional ones.

I would like to again express my appreciation for your appearance before the committee and for the wonderful suggestions you have made. You have been very specific. I think a lot of your suggestions are certainly going to end up being co-opted by this committee. When you see them again, I hope you will recognize them.

Mr. **Mirengoff**. Thank you very much. I am at your service anytime.

Mr. **Hawkins**. Thank you very much.

That concludes the hearing for today. The hearings will continue on Monday morning at 9:30 in room 2175. Thank you.

[Whereupon, at 1:25 p.m., the subcommittee was adjourned.]

[Material submitted for inclusion in the record follows:]

Indian and Native American Employment and Training Coalition

A jobs crisis is stalking Indian Country. It is affecting virtually every Indian family in nearly every Indian and Native American community. It has resulted from the simultaneous collapse of both the public sector economy and the newly emerging private sector economy in our communities. The Indian jobs crisis exists not because there is a lack of work that needs to be done, but because there is a lack of paying jobs to do that work.

Our message to the Committee is a simple one: No "jobs" bill considered by the Congress should ignore those communities that suffer the most severe unemployment in the country -- Indian communities.

Dimensions of the Indian Jobs Crisis

We know a number of things about the staggering dimensions of the jobs crisis in Indian Country:

1. Many tribes estimate that current unemployment rates on their reservations are in the vicinity of 80% to 90% measured in terms of their total available labor force. In many cases these rates have jumped 10 to 20 percentage points from the rates that prevailed in late 1980 and early 1981. Unemployment among Indian workers in off-reservation areas is a mirror image of reservation conditions.

2. Thousands of jobs have disappeared in the natural resource industries -- mining, lumbering, fishing -- which are key to many reservation economies. Lagging levels of general business investment and consumer spending have adversely affected tribal industrial development and tourism programs.

3. The bottom has fallen out of the public sector jobs market. Deep and disproportionate spending cuts by

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> the federal government have slashed Indian jobs as well as crippled vital services to Indian people. An estimated 10,000 Indian jobs were lost through just one federal action, the defunding of the CETA Public Service Employment programs.

The human toll which the Indian jobs crisis has taken is real. The testimony given to this Committee is just one story among the tens of thousands that exist in Indian and Native American communities from California to Maine and from Florida to Alaska.

There is one answer to all of these needs and to the despair they evoke: jobs.

Lessons of Past Job Creation Efforts

A number of important lessons can be drawn from an analysis of past job creation efforts that are relevant to the current Indian jobs crisis.

First, real help must be provided now -- before despair and dependency become any worse. Direct federal assistance for direct Indian job creation is urgently needed. A program which includes a public service jobs component along with labor-intensive construction work on needed community facilities offers the fastest and the surest way of putting Indian people to work.

Second, an in-place delivery system exists to operate such a program. It is the network of Indian tribal governments and Indian and Native American organizations that have successfully operated employment programs for nearly a decade, first under CETA and now under the Job Training

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Partnership Act.

Third, any job creation program must include authority for the direct funding of Indian and Native American programs and a special Indian set-aside in order to insure that the Indian unemployed actually receive the benefits from the program.

Fourth, any jobs bill must provide flexibi[illegible]ty for the operation of Indian programs so that special program rules can be written, tailored to meet the specific needs of Indian communities.

Fifth, the unit within any federal Department or agency administering such a program must be one with past experience in Indian-serving programs.

Specific Legislative Recommendations

Many "jobs" bills have been introdu[illegible] in the Congress. Only one of the pending bills we have [illegible]xamined comes close to meeting the requirements just described. This is HR 1036, sponsored by Mr. Hawkins and a majority of the members of this Committee.

HR 1036 is the only bill providing for:

- The direct fundin[illegible]f Indian tribal governments and equivalent native [illegible]askan corporations.
- A special set-asi[illegible]o support Indian programs, the only type of mech[illegible]sm that will insure that Indian workers benefit from the bill.
- Special regulations and exemption from inappropriate requirements to insure that Indian funds can be tailored to meet Indian circumstances.

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- A provision for the speedy allocation of Indian funds.
- A provision for the presumptive approval of Indian grant applications.

This bill would fill the void created by the abrupt withdrawal of all direct employment funding under the former CETA Public Service Employment programs -- a void which left Indian communities suddenly without such vital assistance as ambulance services, services for the elderly, police protection and housing rehab work crews.

We strongly endorse the speedy passage of HR 1036, along with increased funding for the job training services provided under Section 401 of the Job Training Partnership Act for all Indian and Native American workers.

Terrible as the current Indian jobs crisis is, it is also an opportunity. There is plenty of work that needs to be done in Indian Country. There are talented and willing workers available to do that work. All that's necessary is for this Committee and the Congress to help us put the two together.

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AMERICAN LIBRARY ASSOCIATION

[illegible]

EXECUTIVE
OFFICE
50 EAST HURON ST.
CHICAGO, ILL. 60611

March 11, 1983

The Honorable Augustus F. Hawkins, Chairman
Subcommittee on Employment Opportunities
House Committee on Education and Labor
Room B-346A, Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. Hawkins:

This letter is submitted on behalf of the American Library Association, a nonprofit educational organization whose 38,000 members are dedicated to the improvement of library service, for the hearing record of your Subcommittee on job creation proposals.

As you consider various proposals to provide jobs for the unemployed and to assist in rebuilding the nation's physical facilities, I would ask that you consider the needs of the nation's libraries as a way to achieve both purposes. Libraries of all types have serious, long-deferred repair and renovation needs, those needs have been identified and projects are ready to go if funds are provided, and the needed projects are labor-intensive.

Among the proposals before you is HR 1720, the Emergency Educational Facilities Repair and Renovation for Jobs Act, introduced by Rep. Dale Kildee (D-MI) on March 1. ALA is pleased to support this bill which would provide emergency assistance for repair and renovation of school, academic, and public library facilities.

School libraries and media centers would be aided through title I of HR 1720 which would authorize $1.5 billion per year for repair and renovation of public elementary and secondary school facilities. Academic libraries (often a separate building on a campus) would be aided through title II of HR 1720 which would authorize $1 billion per year for the reconstruction and renovation of academic facilities and libraries.

Title III of HR 1720 would authorize $500 million per year for repair, renovation, remodeling, and alteration of public library facilities. Using AFL-CIO data, and assuming two-thirds repair and renovation projects and one-third expansions and conversions, $500 million would create an estimated 39,000 jobs. It would make possible needed repairs and renovation to many of the 15,000 public libraries and branches in the U.S. Very few local government services are used by half the population, but surveys show about half the adult population use public libraries with some regularity for recreation, education, self-improvement, business or research.

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Libraries are vital contributors to economic growth, but in many buildings library users find leaky roofs, falling plaster, severe overcrowding, balky plumbing, and lack of access for the handicapped. The many libraries built in the 1960s and early 1970s are overdue for roof repair. Some libraries are cutting back on hours open per week or using book budget money to do urgently needed roof patching. Many older Carnegie libraries are still in use but desperately need renovation, including removal of architectural barriers, better insulation, and more efficient heating and air-conditioning equipment.

A survey sponsored by the American Library Association and the Chiefs of State Library Agencies identified 2,900 public library construction projects needed in the five-year period 1981-85. The total cost of these projects is $2.3 billion, with over $400 million needed in FY 1983 and almost another $400 million needed in FY 1984. Attached to this letter is a table showing the results of the survey by state.

Calls to state library agencies within the last few months have identified hundreds of smaller repair and renovation projects not even included in the survey results. Examples are attached to this letter. These labor-intensive projects range from repair of faulty plumbing, scraping and painting, caulking and tuck-pointing, to replacement of roofs and boilers, to conversion of former supermarkets and schools for library use.

Repair and construction needs have accumulated since FY 1973 when title II (public library construction) of the Library Services and Construction Act was last funded. LSCA II has served as a useful conduit for construction funding from other federal programs such as the Appalachian Regional Development Act, but such funds have not reached all areas of the country, and have been a drop in the bucket compared to needs nationwide.

However, LSCA II is still on the books, and requires the state library agencies, which administer the program, to develop state plans and programs for improving and extending public library service, including construction needs. Thus, states are continuously on top of construction needs; projects are well developed and ready to go.

Title III of HR 1720 would provide a minimum allotment per state as specified in LSCA II; remaining funds would be allocated among the states according to a relative unemployment formula. To the maximum extent feasible, projects funded would be in areas of high unemployment, and begun within 90 days of receiving funds. The majority of the funds are to be used for on-site salaries, wages and benefits.

Title III of HR 1720 would be administered through the LSCA II mechanism in the Department of Education. It is appropriate and efficient in emergency legislation to use existing mechanisms to the extent possible. Ironically however, on February 23 the Department of Education published revised regulations (Federal Register, pp. 8303-7) for the Library Services and Construction Act. This proposed rulemaking would eliminate all regulations for LSCA II public library construction because title II is not currently funded.

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However, Congress retained the LSCA II public library construction program in order to have it available for funding when needed. LSCA is a current funded program; thus, having to develop regulations anew would delay distribution of funds unduly. HR 1720 makes reference to LSCA II. The Senate version of HR 1718, the emergency jobs supplemental for FY 1983, includes $50 million for LSCA II. The House Postsecondary Education Subcommittee has developed an LSCA reauthorization bill which includes the library construction title, and is about to hold hearings. These recent developments indicate continuing congressional interest in and support of LSCA II and its purposes. The conclusion is inescapable -- LSCA II regulations should stay in place.

ALA has one further recommendation concerning the job creation proposals before your Subcommittee. In any legislation dealing with economic development, infrastructure repair, community development or public facilities improvements in areas of high unemployment, include language to make clear that library districts are accorded equal eligibility and priority with local governments. Projects requested by library districts should be on equal footing with other projects requested by local governments. It is necessary to spell out library district eligibility because a number of states have established independent subdivisions or districts for library purposes totally separate from units of local government. Without such assurance, some libraries are clearly eligible while for others eligibility for funds is uncertain at best -- an effect we do not believe Congress would intend.

To summarize ALA's recommendations:

1. We strongly support HR 1720, particularly title III for repair and renovation of public library facilities. The needs are great -- for libraries and for the unemployed.

2. We recommend that the Education and Labor Committee protest the Department of Education's proposal to eliminate regulations for the Library Services and Construction Act title II public library construction program.

3. We recommend that any public works/jobs legislation make clear that projects requested by public library districts receive equal eligibility and priority with projects requested by local governments.

Thank you for the opportunity to present the views of the American Library Association.

Sincerely,

Eileen D. Cooke
Director
ALA Washington Office

EDC:ps
Attachment

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PUBLIC LIBRARY CONSTRUCTION NEEDS: 1981-85

STATE	NUMBER OF PROJECTS	FIVE YEAR TOTAL COST
Alabama	50	$ 38,203,243
Alaska	58	43,783,240
Arizona	54	54,004,803
Arkansas	72	21,037,380
California	231	324,511,319
Colorado	73	61,837,623
Connecticut	41	46,675,362
Delaware	17	7,178,190
D.C.	5	375,000
Florida	74	105,504,459
Georgia	120	93,739,913
Hawaii	5	22,800,000
Idaho	28	11,417,619
Illinois	220	169,240,584
Indiana	91	53,862,943
Iowa	78	65,327,916
Kansas	100	
Kentucky	69	37,365,374
Louisiana	43	32,546,705
Maine	21	4,053,647
Maryland	52	72,152,766
Massachusetts	29	36,836,348
Michigan	93	60,531,828
Minnesota	41	39,343,385
Mississippi	74	44,487,178
Missouri	112	49,018,267
Montana	16	2,948,178
Nebraska	7	443,100
Nevada	19	20,536,367
New Hampshire	20	3,792,908
New Jersey	48	67,871,635
New Mexico	15	14,414,637
New York	93	93,595,996
North Carolina	55	53,629,799
North Dakota		
Ohio	52	27,207,929
Oklahoma	44	
Oregon	24	34,470,000
Pennsylvania	21	16,623,492
Rhode Island	15	12,777,000
South Carolina	46	31,853,174
South Dakota		
Tennessee	102	48,964,594
Texas	125	140,869,766
U.S. Virgin Islands	4	12,939,800
Utah	32	20,167,963
Vermont	16	2,716,368
Virginia	107	79,368,415
Washington	79	60,149,582
West Virginia	49	12,281,000
Wisconsin	46	44,129,772
Wyoming		
TOTALS	2,886	$ 2,298,089,272

Source: U.S. Public Library Space Needs Assessment Survey, 1980/81. Sponsored by American Library Association & the Chiefs of State Library Agencies.

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EXAMPLES OF REPAIR AND RENOVATION NEEDS IN PUBLIC LIBRARIES

California, Los Angeles Public Library: One of the most urgent needs in the entire state is for a new central library for the city of Los Angeles. The current building dates from the 1920s and is an architectural gem but also an outdated fire trap consistently cited for wiring violations and severe overcrowding. Total funds needed -- $80 million. The Paso Robles Public Library in a rural area of Northern California requires $1.8 million for major rehabilitation and retrofitting.

Connecticut: The State Library has just completed a public library building survey. Fifty-eight towns reported space inadequacies of 25 percent or more below recommended requirements. Of those responding, 45 percent said outside aid would affect their planning. Library building projects have decreased sharply since 1975 despite the large number of inadequately housed libraries. The inability to secure funding in the economic environment characterizing the post-1975 years is a major factor in this decrease.

Georgia: Among the needs at Savannah's central library are $50,000 for heating and ventilation conversion, $18,000 for roof repair, $40,000 for remodeling for handicapped access, and $20,000 for painting and replastering on the second floor. In the rural community of Elberton $154,500 would provide for roof and other repairs plus a small addition. In Manchester the library system headquarters needs $14,500 for energy retrofitting including replacement of window glass and installation of ceiling fans.

Kentucky: The state library administrative agency estimates that about 30 percent of public libraries have unmet repair and renovation needs. The many libraries built between 1966 and 1972 are overdue for roof repair. Some libraries are cutting back on hours open per week or using book budget money to do urgently needed patching. In the past the state had a program of partial support for such work, but those funds have dried up. Even so, requests are pending from 14 counties for state shares averaging $6,000 each.

Massachusetts: Thirty public libraries have plans all ready for major construction such as new buildings or additions if funds are provided. For instance, Milford has Andover bought land behind the library for a planned addition. needed a new library for years; plans are complete and construction could begin in 90 days with funding. North Adams purchased a house at the rear of the library property and plans an addition and renovation. The existing li- brary needs to repair leaks affecting the second floor. Many other libraries have repair and renovation needs. The library in Chicopee needs renovation, as does the library in Holyoke. In Ludlow the second floor is not structurally sound; it needs shoring up to hold additional book stock. The Middleton library needs new front steps, painting of the basement and other repairs. In Springfield several branch libraries need roof repair and painting. Twenty libraries require renovation to remove architectural barriers to the handicapped.

Michigan, Detroit Public Library: Among this large system's most urgent needs are $16,000 to repair falling plaster due to leaky roofs at several branches, $25,000 to replace the roof at one branch library, $21,000 for a new roof at

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another branch, $9,100 for partial roof replacement at a third branch, and $46,000 for tuck-pointing and caulking of the masonry at the main library building. Repairs may not be made without federal assistance; Detroit PL's budget situation is so serious that the number of branches is being reduced.

Michigan, Lapeer County Library: Built in 1921, the main branch needs improvements to correct overcrowded, and in some cases unsafe conditions, to make it more energy efficient and accessible to the elderly and handicapped, and to restore structural soundness. Newly renamed for local celebrity Marguerite De Angeli, an author of children's books, this library has fund-raising efforts underway for renovations and an addition. However, a millage levy to raise the needed $700,000 recently failed. Modest federal assistance would provide enough boost to get this project started.

Mississippi: A state survey identified the need for an additional 590,000 square feet of public library space. Thirty-two new library buildings are needed as well as additions to 35 existing buildings. Three libraries need energy retrofitting and three require remodeling for handicapped access.

New Jersey: The Newark public library main building needs $890,000 for major energy retrofitting; two branches need $60,000 for air-conditioning and heating upgrading. The Paterson public library needs $550,000 to replace ceilings and repair the furnace, air conditioning and sump pumps, plus $191,330 for exterior work on windows and roof. In Jersey City the library needs $590,000 for a new roof, waterproofing, and other repairs, plus $230,000 for repairs at branch libraries.

Oregon: Illustrative of the needs are the following: In Beaverton the library is paying rent of $100,000 for 9,000 square feet. Cheaper rental space is available in a former supermarket, but the library has no money to remodel the space. In Dallas the public library restrooms desperately need repair; there is not even good running water at the moment. The Monmouth public library is severely overcrowded. An architectural study for an enlargement has been completed at low cost by University of Oregon students, but there is no money to complete the project. In Sherwood the ceiling is falling on the patrons; in Tigard there are leaks in the library roof and major plumbing problems.

Washington: Libraries in small towns are tied into the statewide network for effective service, but many facilities are badly in need of repair. In Chewelah, an old Carnegie building is drastically in need of modernizing. In Harrington the wall of a converted store leaks; half the shelving is not usable. The Ritzville library has begun renovation but lacks funds to continue. In Waitsburg an old store needs interior remodeling for library use. In San Juan County, which is composed entirely of islands, two islands have set up library taxing districts to replace private libraries. Additional facilities are needed quickly; taxing for service will begin in a year.

American Library Association
Washington Office
March 1983

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HEARINGS ON JOB CREATION PROPOSALS

MONDAY, MARCH 7, 1983

House of Representatives,
Subcommittee on Employment Opportunities,
Committee on Education and Labor,
Washington, D.C.

The subcommittee met, pursuant to call, at 9:45 a.m., in room 2175, Rayburn House Office Building, Hon. Augustus F. Hawkins (chairman of the subcommittee) presiding.

Members present: Representatives Hawkins, Kogovsek, and Petri.

Staff present: Susan Grayson McGuire, staff director; Carole Schanzer, deputy staff director; Terri Schroeder, administrative assistant; and Beth Buehlmann, minority senior legislative associate.

Mr. **Hawkins**. The Subcommittee on Employment Opportunities will be called to order.

This morning the subcommittee will continue the series of hearings on job creating proposals pending before the subcommittee. This morning we are very pleased to have representatives of various cities testify on the subject, primarily as to the need for job opportunities within their areas and the type of activities in which the various persons would be employed, and such other matters as would be appropriate for the subject of job creation which is before the committee at this time.

It is the intention of the committee to have a bill ready to report to the full committee within the next few weeks, and hopefully the House before Easter.

The first panel will consist of the following representatives of cities: the Hon. Dan Whitehurst, mayor of the city of Fresno; the Honorable Melvin Takaki, mayor of Peublo, Colo.; the Honorable John Fedo, mayor of Duluth, Minn.; the Honorable John Bourg, mayor of Joliet, Ill.; and Mr. Mark Lindberg, counselor, city of Eugene, Oreg.

Will those individuals who have just been called be seated at the table in front of you?

Again, we wish to take this opportunity to welcome you to this hearing. We know that you are very busy persons. We are delighted to have you as witnesses on this most important subject.

We will call on the witnesses in the order in which their names were called, starting with the Honorable Dan Whitehurst of Fresno, Calif.

Mr. **Whitehurst**. If it please the——

Mr. **Hawkins**. Pardon me, Mayor. I am sorry, Mayor, I failed to ask our colleague to my left, the Honorable Ray Kogovsek, if he possibly would like to make an introduction or some reference at this point.

Mr. **Kogovsek**. I appreciate your indulgence.

On a very parochial move, I wish to introduce to the committee and to the people in the audience the mayor of my home town of Pueblo, Colo., Mayor Takaki. It is a great honor to have the mayor here with us.

He is a leader in all of southern Colorado and in the State, and Democrats and Republicans alike look up to the mayor of Pueblo, Colo., for his leadership in the area of municipalities. It is just a pleasure to have the mayor here this morning.

Mr. **Takaki**. Thank you, Mr. Kogovsek.

Mr. **Hawkins**. Mayor Whitehurst.

Mr. **Whitehurst**. We have worked out an order among us, and if it meets with your approval, I will defer to Mr. Lindberg.

STATEMENT OF MARK LINDBERG, COUNSELOR, EUGENE OREG.

Mr. **Lindberg**. Thank you, Mr. Chairman. I am Mark Lindberg, counselor, from Eugene, Oreg.

I would like, if you will permit me, to submit some written materials in the mail at a later date, and on a relatively off-the-cuff basis give you some remarks at the present time.

Mr. **Hawkins**. Without objection, any material you submit will be entered in the record.

Mr. **Lindberg**. Thank you.

I would like to talk to you about, of course, the jobs business, and if I could preface that with a couple of words about the state of the economic situation in Eugene and in Lane County, Oreg.

As many of you know, the President of the United States recently visited a county nearby to ours. Some of our people, especially those in the timber industry, felt a little bit uncomfortable about the fact that he chose a timber mill that was working as opposed to one that was not, because I assure you that overall the timber industry in Oregon is not in good shape, and in the long run, not just the short run, is in a period of deterioration.

We do in Eugene have a resource base economy. It is in large part due to the timber industry. We have experienced not only short-term cyclical cutbacks, but also long-term permanent job loss.

This is due in part to the situations parallel to other areas in the United States. In addition to the collapse of the housing industry, due to the economic situation, those mills that have not closed have gone to automation, gone to cutting back on the number of employees that they will rehire and, therefore, there is a permanent job loss that we are experiencing.

I might add that there are up to 50 single-mill, one-industry towns in Oregon devastated to this loss and some have no prospect of ever opening again. This has created throughout the State of Oregon an uprooting process.

Migration has started, many people wandering to other cities, and so there is a staggering human cost to what is happening. As you can imagine, with families breaking up and being uprooted from their homes, there is also overwhelming institutional costs, as both our local government and human service agencies are in extreme distress.

In Eugene, there are roughly 17,000 workers unemployed, and currently, we are doing a little better than we have. There is about a 12.5-percent unemployment rate. We seem to have a pretty steady 2- to 3-percent level of unemployment above the national situation. This indeed is a shocking contrast for us in Oregon who have experienced 20 years of seemingly unstoppable growth.

The city of Eugene has responded. It has not been passive in our acceptance of this plight. We have developed a six-point economic development program which we feel is comprehensive. We feel it addresses both the short-term problem, as well as long- and medium-range issues.

We have emphasized throughout a public-private partnership, job training, and an industrial siting program, infrastructure improvement program, tours and conventional development, the opening of a new performing arts center, hotel and convention complex, a business assistance program, including a loan program, an information program and streamlining through computers of our permit process which makes development much easier than it ever has been before; and then, finally, a downtown planning and revitalization effort.

I might also add, outside of our six-point formal economic development program, we do consider the human side of economic development. I personally chair a task force dealing with problems of the homeless, and the city has a process of contracting for human services. We consider human services a part of our public safety system, and it is the No. 1 priority of the city.

In addition, we have made a quick and very successful transition from CETA to the Job Training Partnership Act. We have a very healthy private industry council, the best job placement record in the Northwest and one of the tops in the country. We are making every effort to target our training to jobs and industries that will be existing in the future rather than those that are in a deterioration state.

I must add that we do need help. We are here to tell you and others on Capitol Hill that we feel that programs such as general revenue sharing, aid to urban highways, the airport improvement program, community development block grants, economic development administration, Small Business Administration, targeted industrial revenue bonds, Job Training Partnership Act, and I might add proposed public service employment program, all are critical to us being able to implement our own comprehensive economic development strategy.

Eugene, I believe, would be able to use a PSE program. For us, and I believe other cities, substitution is absolutely a moot issue. Our work force in the last 2 years has already dropped from 1,500 employees to 1,000, and since we have already cut out so many services, I believe that we can immediately use PSE money to reprogram money and either employ or contract for workers in the areas of parks, public works, airport maintenance, recreation, library services, crime and fire prevention, and human services.

In terms of the shape and structure of a program that we would recommend, if there is one thing that I want to emphasize to this committee it is that we need flexibility at the local level.

Each jurisdiction before you has its own political administrative and economic idiosyncrasies. Eugene has a comprehensive strategy of its own, and I would hate to see that integrity of that strategy undermined by an overstructuring of a program that came to use preventing us from implementing the strategy that we developed.

I would comment on four areas, and one is on wages. Again, my theme is flexibility.

I understand the mayor of Minneapolis, Don Frazer, commented to you that his city organization would probably go with a closer to minimum wage strategy. Eugene would probably adopt a prevailing wage strategy with public service money if they were able to do so.

In addition, we find the 5-percent employee limitation to be too much of a stricture, and again flexibility for us is the important issue.

I fully understand and appreciate your desire to avoid political land mines and encourage you in your legislation to keep the Job Training Partnership Act and the public service employment program at arms length.

I think that regardless of whether it is the actuality that the confusion and the combination of those two programs resulted in its so-called failure, or whether it is the perception that public service was a program that doomed the other as well, I am not sure, but I do want to support your concept of separate legislation that does not use the Job Training Partnership Act system. But in Eugene, Oreg., if we were to receive PSE money, I assure you that we would attempt to fold it into our existing employment training program, which includes consultation with our PIC, an administrative setup that would use the job training center as our clearinghouse for public service employment.

Feel free to keep yourself separate and distinct from JPTA at the Federal level, but give us the flexibility to combine it and use it, coordinate it with other programs that we have in anyway that we wish at the local level.

I know this is a House committee and not the Senate, but sooner or later you may be discussing a modification introduced by Senator Quayle. It suggests the use of labor-intensive Federal agencies. We in Eugene feel that is not a good idea.

If your goal is quick release of money and countercyclical employment, it is a bad idea to go toward a system of duplicating the number of agencies that are in the PSE business. We think that would impede our local ability to coordinate our employment training efforts, and we believe there would be not a quick impact but rather a slow impact, which would, I believe, violate the intent of the legislation.

In conclusion, frankly I believe all of the Federal jobs policy proposals to date this year have been insufficient and piecemeal efforts. If you can help it, try to avoid underfunding.

The proposal brought forward by this committee, in my opinion, is drastically underfunded. The National League of Cities made a suggestion to avoid an income tax cut in the coming year and cap defense spending. Those might be two ways of finding sufficient money to propose an adequate job training program.

I would like to see you make this as flexible as possible. Many local governments have comprehensive strategies. Let us implement those strategies, and let's avoid the typical—or should I say, in the past there have been programs that looked to the local government a little bit like God-fast deals—meaning we couldn't resist the money, but in taking it, it undermined the strategies that we developed at the local level and pointed us in a direction that we were frankly not ready to move into. So we do need flexibility.

We do support your efforts and want to encourage you to keep the faith. I feel there is an important gap that needs bridging between the current joblessness and hopefully future economic prosperity.

I believe that public service employment would be one way of bridging that gap.

I thank you very much for letting me speak.

Mr. HAWKINS. Thank you. Mayor Fedo.

STATEMENT OF JOHN FEDO, MAYOR, DULUTH, MINN.

Mr. FEDO. My name is John Fedo, mayor of the city of Duluth.

I would like to preface my comments by indicating that the last statistical reading from the Department of Labor for SMSA was 22.3 percent unemployment rate for Duluth. In December 1981, the unemployment rate in the city of Duluth was 7.6 percent and rising.

There was an obvious need to provide short-term employment which would allow Duluth's skilled labor pool to remain in the city until the overall job picture brightened. That is when we began to think about some sort of public jobs program.

Duluth City Council approved the program in the spring of 1982. The Department of Housing and Urban Development OK'd the use of community development block grant moneys to fund part of the program. Within 6 weeks from gaining the approvals, our first participants were at work. In the meantime, the unemployment rate had hit 10.9 percent—and was rising.

During the 6 weeks from concept approval to program implementation, city officials and community groups worked to shape the program guidelines. It was decided that a 45-working-day employment program paying $4 an hour would be the most plausible solution.

In addition, the city would benefit from long-overdue maintenance, such as: cleaning up parks, streams, and vacant lots; painting buildings and street lights; trimming and removing trees; and playground reconstruction.

The original goal was to provide over 400 jobs, still just assisting 10 percent of our unemployed, and it became evident that a project of this size required private sector as well as public sector financing. Fiscal constraints prohibited the city from appropriating additional funds for wages of participants.

However, the city could provide materials—paint, lumber, sand, mowers, bricks—from existing budgets, and the city would pay out-of-class wages for city employees who supervised the work crews.

While public-private partnerships are currently in vogue, Duluth had never tried a partnership involving city government, nonprofits, private business, and the Federal Government. The first step involved reprograming $400,000 of community development block grant funds.

Second, the city asked two nonprofit foundations—McKnight and Ordean—for $150,000 and $50,000 respectively. These two gifts were contingent upon a $50,000 match from local businesses. We conducted an active campaign to raise that match.

The city of Duluth prides itself on its scenic beauty and recreational opportunities. We have a city 26 miles long and 2½ miles wide and stretches along the shores of Lake Superior. While it may be a nightmare as it relates to street cleaning, police and fire protection, it is one of the most beautiful cities in the country.

That being what it is, we found it almost impossible within the constrictions of fiscal problems that we were experiencing within the city itself, the State, to do a lot of the things to maintain our city the way we wanted to. So this particular program served a twofold purpose for us.

We made sure of two things when drawing up our lists of tasks. First, that the projects would not be taking work away from regular city employees or city contractors. Second, that they would have visual impact in our neighborhoods with most leading to increased use of our resources and our parks.

While originally we had planned to target our program to those who had exhausted unemployment benefits, we found that different funding sources required different screening criteria. So, in effect, we had a second target group: those who had lost social service benefits and had been considered marginally employable.

The turnover rate was not unexpectedly significantly higher for the second group. However, the program enabled some of those folks to come in off the streets, gain some self-value, and learn some work skills.

Our experience with recruiting minority-group members was very successful. Duluth has a minority population of only 3 percent, and yet 12 percent of those in the program were minorities.

We aimed for strong program participation by women. There are many single-parent households headed by women in Duluth. The program was run during the summer and there may have been the need for special provisions for day care. Also, some women refused or were unable to work at physically taxing jobs.

While Congress debates this very worthy Community Renewal Employment Act, the city of Duluth has already operated a special emergency employment program. The program kept administrative costs to less than 1 percent of the total budget and materials outlay to 7.5 percent. Almost 92 percent of the funds were spent on participant wages, and they went right in their pockets.

However, our unemployment rate is now higher. The building trades in Duluth have a 70-percent jobless rate, and we can't go back to block grant funds; they were allowable only one time for such a use. We can't go back again to our local businesses, as hard-pressed as ever, and ask for more funds. But the emergency is not over.

Duluth has plans for new high-tech industry—plans that are quite specific with prospects very much on the horizon. We have developed a long-term job creation strategy and we will need Federal help to retrain our displaced workers.

We believe that President Reagan is right in seeking incentives for private sector initiatives. And we suggest lower interest rates and leverage factors for UDAG grants, and more points given to UDAG applications from distressed cities.

But now, this year—and, yes, maybe next year—we need the resources of the Federal Government to help us with a national problem: deep, wide-ranging, short-term unemployment.

We need jobs for our people tomorrow and the next day. At least on the horizon, things in Duluth, Minn., don't look well for people that are presently unemployed.

If I might make three short points directed to this particular piece of legislation. We need an 18- to 24-month employment program. We like to think that the Duluth public service program is one example of how it can be done. We need job training for the unemployed who are going to be long-term unemployed.

The iron-mining industry up on the iron range has had 16,000 miners once employed in that industry. The peak potential for recovery is only 60 percent of what that industry once was. So out of those 16,000 employees, only 11,000 could be considered as having the opportunity of going back to work.

That leaves 5,000 people, 5,000 families with no opportunity for the job that they once held. Those people need to be trained into a new career.

We also need, of course, training and jobs for the hardcore unemployed. I might reiterate the point made earlier, the need for flexibility for local governments.

I would like to make a couple of points. One, we don't need 25 percent for administration. As you have seen in our program, we use 1 percent for administration, 7.5 percent for materials. So some place between that figure and 25 percent.

I would suggest again the flexibility aspect of any type of program, leaving some local autonomy. We think we are responsible folks at the local levels and we think that we can put PSE money to work and put, even more importantly, our people to work.

STATEMENT OF JOHN BOURG, MAYOR, JOLIET, ILL.

Mr. Bourg. Mr. Chairman and members of the committee, I am John Bourg, mayor of Joliet, Ill., a city of 78,000 persons approximately 40 miles southwest of Chicago. Joliet is an older, industrial city which has seen the erosion of our industrial base, accelerated by the recession which has devastated our economy.

Our most recent unemployment rate is 22.5 percent. This past July we experienced an outrageous unemployment of 25.6 percent.

Since 1977, we have seen the closure of the U.S. Army's Joliet arsenal, which was employing 7,000 persons, and United States Steel and GAF plants, among others. Additionally, the local Caterpillar plants, which used to employ 7,000 persons, now have all but 740 on indefinite layoff. As you are aware, Caterpillar has been victimized not only by a current strike but also by the U.S. Government's exports embargo which has substantially reduced Caterpillar's overseas market.

Unemployment statistics cannot really tell the measure of human suffering. Let me express it more graphically.

Last year, the city of Joliet sponsored its own neighborhood work program, hiring a total of 40 persons at slightly above minimum wage to do community maintenance work for 15 weeks. Applicants for the jobs had to be heads of households who had exhausted their unemployment benefits. Still, we had 601 eligible applicants for the work.

Recently, a grocery store opened in one of our suburban villages. There were 1,000 applicants for the jobs. Recently, our local newspaper carried a photo of 1,000 of our citizens filing initial unemployment claims after having been laid off.

The unemployment statistics themselves are tragic. They say that at least one in every five employable persons in Joliet has no job, no income, no living wage. Yet, the statistics understate the real magnitude of the dilemma because we know that many people have either exhausted their unemployment benefits and are not included, or they have exhausted hope and dropped out altogether.

Regretfully, our plight is not known. Because the Federal Government does not recognize Joliet statistically, our condition is not reported.

Presently, because we are included in the Chicago labor market area by the Bureau of Labor Statistics, our unemployment is not identified. State and Federal agencies which are in a position to help us do not even know of our problem.

Private businessmen have told me that they are under pressure from central offices to have higher sales activity because their central offices do not know of Joliet's economic plight. The first thing that we need is a commitment from the Federal Government that you will recognize us and others like us.

The city of Joliet has tried to respond to the economy with our own limited resources. Because of the unreasonable level of unemployment we are experiencing, our city budget has had to be reduced considerably, over 10 percent in the past 2 years. But, at the same time, we have instituted several programs to help our unemployed citizens. While cutting our operating costs, we have increased our funding for neighborhood based public improvements, which provided construction jobs both last summer and again this season.

We have accomplished many important public improvements with our neighborhood improvement program, and we anticipate many others. Among our projects have been the storm sewer and drainage channel improvements that have reduced home flooding in various areas of the city; street improvements that enhance neighborhood pride; curb and sidewalk installations that reduce roadway deterioration, improve drainage, and make streets safer; and street lights to deter crime.

With an extensive effort at securing citizen and council input in project decisions, we have improved our city in terms of both physical condition and public operation.

Through our planning process, we have already identified and engineered enough projects to carry us through 1984 and into 1985, at a funding level of $1.5 million per year. If the Federal Government were to match this amount, we could have the work underway this spring.

It is important to recognize the economic benefit of just this level of funding. It is said that each dollar spent turns over five times. That means that a $1.5 million program can generate $7.5 million in economic activity.

I spoke earlier of our Joliet neighborhood work program. That is something in which we have a lot of pride. We set aside $100,000 to provide jobs to some of the most destitute of our citizens.

We employed 2 groups of 20 persons each for 15 weeks of work at slightly over minimum wage, $3.75. We divided the program in this fashion to provide income to as many homes as possible.

As I said, applicants had to be heads of households who had exhausted all unemployment benefits. These citizens were assigned to jobs including park and channel cleaning, storm sewer cleaning and repair, and street repair. They were divided into crews and supervised by permanent city employees on special assignments.

This was a highly successful program, and we are beginning now to run it again this year. I have attached to this statement a more detailed description of the program.

In addition to our direct employment efforts, the city last summer established a HOW program—Help Ourselves Work. This was a cooperative effort of the city and 17 area banks and savings and loan associations to stimulate the housing industry.

The participating financial institutions pledged $14 million for loans for the purchase or construction of a new home or for the resale of a home being sold so that the owner could purchase a new home.

At a time when the lending rate was 17¼ percent, HOW loans were set at 12.9 percent. The city participated by waiving 50 percent of all permit fees and providing advertising money.

Regretfully, HOW was not so successful as we had hoped. There was an important lesson in our effort. Attempts to stimulate the economy through consumption can happen only if people have jobs and the income with which to take advantage of consumption opportunities.

Several other cities across the Nation have picked up this program, and I am talking with the lending institutions about recurring the program again this year. But, again, people will need jobs to take advantage of the opportunity.

Joliet has the ability to respond quickly to any Federal jobs assistance. Our personnel office is already geared to handle a large influx of applicants for the neighborhood work program, and our Public Service Department has engineered enough small public works jobs to carry us another full year.

What we need is for Congress to approve legislation that will provide the funding to let us respond to our stated needs. We would be administering any Federal assistance through these two programs, using our existing work force for supervision.

In developing this economic assistance package, there are some key points which I would encourage you to consider.

First, the funding you approve needs to be at such a level and targeted in such a fashion that it makes an impact where it is needed. For example, H.R. 1036 has a provision that limits the number of jobs to 5 percent of a city's work force.

In our case, it would amount to 31 jobs. With 9,805 persons unemployed, that level of funding would reduce our unemployment rate by only three-tenths of 1 percent.

I would suggest that you consider targeting the funds to communities that exceed the national unemployment rate by at least 6 percent for 2 consecutive months and funding the program at a level sufficient to reduce the national unemployment rate by at least a full percentage point.

Second, funding should use existing grant procedures with a minimum of administrative procedures. We are ready to act in Joliet; we need the Federal Government to be an expedient partner.

In September, the Congressional Budget Office estimated that each 1 percent in unemployment costs the Federal Government up to $33 billion. Even if it does require $10.7 billion to reduce our current national unemployment by 1 percent, it is an investment that needs to be paid.

The savings would more than cover the costs and still reduce the Federal deficit by $22 billion. As a private businessman as well as an elected public official, this would be the wisest investment that we could make in our future.

It would reduce the Federal deficit, stimulate the economy, and return our citizens to the status of being productive members of society. It is both an investment and an obligation.

Thank you, Mr. Chairman.

[The prepared statement of John Bourg follows:]

PREPARED STATEMENT OF JOHN BOURG, MAYOR, CITY OF JOLIET, ILL.

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Through our planning process, we have already identified and engineered enough projects to carry us through 1984 and late 1985, at a funding level of $1.5 million per year. If the Federal Government were to match this amount, we could have the work underway this Spring. It is important to recognize the economic benefit of just this level of funding. It is said that each dollar spent turns over five times. That means that a $1.5 million program can generate $7.5 million in economic activity.

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Joliet has the ability to respond quickly to any federal jobs assistance. Our Personnel Office is already geared to handle a large influx of applicants for the Neighborhood Work Program, and our Public Service Department has engineered enough small public works jobs to carry us another full year. What we need is for Congress to approve legislation that will provide the funding to let us respond to our state needs. We would be administering any federal assistance through these two programs, using our existing work force for supervision.

In developing this economic assistance package, there are some key points which I would encourage you to consider.

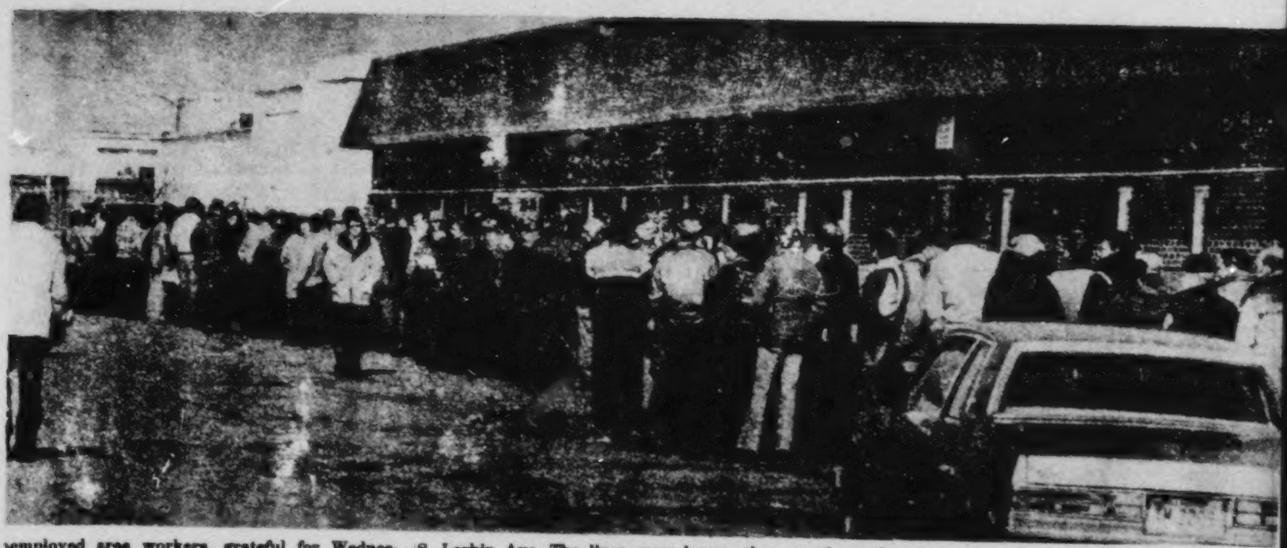
First, the funding you approve needs to be at such a level and targeted in such a fashion that it makes an impact where it is needed. For example, H.R. 1036 has a provision that limits the number of jobs to five percent of a City's work force. In our case, it would amount to thirty-one jobs. With 9,805 persons unemployed that level of funding would reduce our unemployment rate by only three-tenths of one percent. I would suggest that you consider targeting the funds to communities that exceed the national unemployment rate by at least six percent for two consecutive months and funding the program at a level sufficent to reduce the national unemployment rate by at least a full percentage point.

Second, funding should use existing grant procedures with a minimum of administrative procedures. We are ready to act in Joliet; we need the Federal Government to be an expedient partner.

In September, the Congressional Budget Office estimated that each one percent in unemployment costs the Federal Government up to $33 billion. Even if it does require $10.7 billion to reduce our current national unemployment by one percent, it is an investment that needs to be paid. The savings would more than cover the costs and still reduce the federal deficit by $22 billion. As a private businessman as well as an elected public official, I think this would be the wisest investment we could make in our future. It would reduce the federal deficit, stimulate the economy, and return our citizens to the status of being productive members of society. It is both an investment and an obligation.

Portion of the 1,000 applicants for positions for the Eagle Grocery Store in New Lenox, Illinois

Portion of the line for the City of Joliet's Neighborhood Work Program in which there were 601 eligible applicants for short term positions.



employed area workers, grateful for Wednes-y's mild temperatures, line up to report at the Il-ois Unemployment Compensation Office at 101 S. Larkin Ave. The lines were longer than usual because Caterpillar Tractor Co. workers, who were laid off Feb. 7, had to report for their first certification along with others placed on layoff lists early in February. Some 1,000 Caterpillar employees were processed. (Herald-News photo)

City of Joliet,
Interoffice Memorandum,
April 29, 1982.

To: City Manager.
From: Director of Management Services.
Subject: Neighborhood Summer Work Program—Phase I.

At the April 6, 1982, City Council meeting, the Council adopted a staff recommendation to establish a Summer Jobs Program, with $100,000 taken from funds budgeted for the Neighborhood Improvement Program. The City Council was informed that the program was intended to utilize the labor of unemployed City residents whose unemployment insurance benefits had expired and who were also the head of a household.

Based on the program objective, the following order of preference in hiring was assigned to prospective applicants for these positions.

Group I—City employees on lay-off status.

Group II—Unemployed City residents who are the head of a household with a family, whose unemployment has expired.

Group III—Unemployed City residents who are the head of a household, whose unemployment insurance has expired.

Group IV—Unemployed single City residents whose unemployment insurance has expired.

Group V—Unemployed City residents who are the head of a household with a family.

Group VI—Unemployed City residents who are the head of a household.

Group VII—Unemployed City residents, non-student status.

Group VIII—Other unemployed City residents.

Group IX—Non-resident.

The positions were advertised on April 15th through April 18th, and applications were accepted on April 19th and April 20th.

A total of 367 applications were submitted. Of those, two (2) were submitted by City employees on lay-off status. It should be noted that we have fifteen (15) people who are on layoff. These fifteen (15) people were contacted by letter, and then by phone. Of the fifteen (15), we have seven (7) who are working, two (2) that are unemployed, and six (6) who are currently holding temporary positions with the City.

The application of the two (2) City employees were set aside and each remaining applicant was assigned a number from 1 to 365. Using a Table of Random Numbers, sixty-two (62) applicants were selected and their names and social security numbers were forwarded to the Unemployment Office to verify their unemployment and family status. Due to manpower shortage at the Unemployment Office, it took nearly five (5) days to verify the unemployment status of those first sixty-two (62) applicants. Of this group of sixty-two (62), only three (3) were found who met the criteria of Group II.

Forty-three (43) applicants in this group were never eligible to receive any unemployment benefits. Projecting this information to the other unverified applicants, it became necessary to revise the criteria, keeping the criteria base within the same concept, in order to provide for the remaining eighteen (18) successful applicants, prior to the intended date of hire.

The following criteria were utilized:

Group I—City employees on lay-off status.

Group II—City residents—unemployed—head of household—no unemployment benefits.

Group III—City residents unemployed—single—no unemployment benefits.

Group IV—City residents—unemployed—head of household—receiving unemployment benefits.

Group V—City residents—unemployed—single—receiving unemployment benefits.

Group VI—Non-residents in same order of priority.

Using these revised criteria, and excluding the two (2) lay-off employees, an initial hire list of thirty-five (35) names was chosen. Applicants were contacted and were asked to verify their unemployment and family status, and alien status. Applicants found to have no dependents were eliminated from this list.

The following eighteen (18) applicants were chosen to join the two (2) lay-off employees, and begin work on May 3, 1982. An orientation session will be held for them before they are sent to their job sites. This has been coordinated with John Mezera.

Mike Durnulc, Richard McCormack, Joe Luckey, John Triplett, Larry Shaw, Theresa Dickson, Helen Buchanon, Jimmy Juricic, Kenneth Johnson, Deborah Franklin, Michael Fenili, Nell Scott, Phou Khao Kham Ngonekeo, Patrick Larkin, Claiborne Alexander, Robert Herring, Raymond Luckett, Leang Ean, Charles Hooker, and Savan Vann.

In recapping the above twenty (20) individuals, the statistics will show that two (2) individuals that were hired were City employees on lay-off status, and eighteen (18) individuals would fall into Group II. Further, E.E.O. breakout would indicate that of the twenty (20), there are five (5) females, and fifteen (15) males, which are composed of the following: six (6) Caucasians, three (3) Asians, and eleven (11) blacks.

Using the experience gained from the first phase of this program, the Personnel Division intends to make several procedural changes in the second phase so as to expedite the selection process, e.g. 1.) Add one (1) week upfront to the selection process in order that the Unemployment Office can have additional time to process the verification of the applicants; 2.) Revise the job application form to include the identification of dependents; 3.) The Personnel Division will actually assist individuals to fill out the application; and, 4.) The Personnel Office will open one (1) hour earlier on the date applications are to be accepted.

You should also be advised that we do have a standby list of eight (8) people.

Mr. **Whitehurst**. Mayor Takaki of Pueblo.

STATEMENT OF MELVIN TAKAKI, MAYOR, PUEBLO, COLO.

Mr. **Takaki**. Mr. Chairman, members of the committee, my name is Dr. Mel Takaki, mayor of Pueblo, Colo., an industrial community of 104,000.

I would like to take a little different approach. According to official labor force estimates for Federal programs, Pueblo's unemployment rate averaged 14.6 percent in 1982, almost 1½ times the 1982 national average of 9.7 percent. The Pueblo jobless rate reached a record high of 17.7 percent in December, and we could climb even higher.

My written statement contains what we are currently doing to alleviate unemployment as well as what we would do with further Federal assistance should Congress provide some public service funds.

At this time, I would like to express my support for improvements in trade adjustment allowances administered by the U.S. Department of Labor. The present law, the Trade Act of 1974, is a good law. It provides supplemental income to those who have lost their jobs due, in whole or in part, to import competition. It also presently provides for retraining and stipends to pay for the necessary education costs.

However, we urge you to provide specifically for job counselors hired in each local area, who have access to local surveys on available jobs and where to find the training quickly and least expensively. In other words, the present program needs more manpower to apply it properly.

For those over 50 years of age, consideration should be given to a higher income maintenance in lieu of retraining. Those folks need help to get to retirement, not retraining.

However, it appears to me that we are heading toward a band-aid approach to a cancerous wound and that there is a more basic issue to be addressed.

We are continuing to allow the further erosion of our basic industrial capacity, which is vital to our national defense. Worst of all, we are affronting the dignity of the American worker who is losing his most prized possession—his meaningful role in a productive American society for a make-work job of uncertain length.

Never forget that we don't really need a handout, or even retraining. We know our jobs and we can do them well, if foreign countries will stop selling below cost in our marketplace, in our backyard.

Free trade in the international marketplace? Good worldwide competition? You bet I believe in it, but I submit to you that it doesn't happen that way. Just look in the parking lots in Japan, West Germany, or Mexico to see if we have equal access to the marketplace.

What we really need Congress to do is stop the dumping of steel by government subsidized foreign steelmakers. That is not competition; that is theft—theft of American jobs, and that greatly affects Pueblo, Colo., both short and long range.

As an example, right at this minute, there is over 1 billion dollars' worth of seamless steel pipe from Japan stockpiled in the United States so the trading companies can beat the rise in the yen.

How can they tie up $1 billion? Because their finance costs are paid by their government. Why were they so sure that the yen would rise? Because their government had been depressing the yen on purpose for them. These practices are wrong and must be stopped.

The Japanese Government depresses the yen by excluding non-Japanese from investing in Japan or even yen-denominated investments. The Japanese Government requires its citizens to buy, sell, and invest almost completely in dollars, making the yen not freely exchangeable, even in Japan.

Why do foreign governments do these things? To maintain jobs in their own countries—jobs we have given them. They have succeeded in exporting their fair share of unemployment to America, and we don't want it anymore. Please make them stop.

In conclusion, due to the time constraints, I realize that it is not possible to cover everything; so, therefore, these are only a few of the many points that I have on the subject.

Thank you. I appreciate your indulgence in this consideration.

I would like to yield at this moment.

[The prepared statement of Melvin Takaki follows:]

PREPARED STATEMENT OF DR. MEL TAKAKI, MAYOR OF PUEBLO, COLO.

Mr. Chairman and Members of the Committee, my name is Dr. Mel Takaki, Mayor of Pueblo, Colorado, an industrial community of 104,000.

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Thank you.

WRITTEN STATEMENT PRESENTED AS TESTIMONY

According to official labor force estimates for federal programs, Pueblo's unemployment rate averaged 14.6 percent in 1982, almost 1½ times the 1982 national average of 9.7 percent. The Pueblo jobless rate reached a record-high 17.7 percent in December and could climb even higher.

Pueblo County lost jobs in eight of the past twelve months. Almost 2,700 Pueblo jobs were lost during 1982 with the bulk of the loss having occured in our local manufacturing industries. Since March of 1979, 6,610 Pueblo jobs have been lost. In August of 1982, Pueblo employment stood at the lowest point recorded in over ten years.

Nearly 2,000 additional residents were forced to join the ranks to the unemployed during 1982. The number of unemployed citizens has doubled in the past eighteen months.

The local manufacturing industry, a major source of basic jobs in our economy, has suffered immensely. It recorded losses of jobs in sixteen of the past seventeen months, dropping employment in that sector to record lows. In October of 1982, manufacturing employment was at the lowest level posted since local industry employment estimates were begun in 1964. Manufacturing employment fell by 35 percent in 1982 (over one third). This large loss of basic jobs, jobs that bring income into the community, is a serious threat to the future health of our local economy.

A manifestation of the deteriorated state of our local labor market has been a massive out-migration of our residents and a shrinking labor force. Between 1979 and 1981, over 5,200 Pueblo residents left the area, while the size of the Pueblo civilian labor force has exhibited a downward trend over the past 2½ years—since our economy has soured. In fact, our civilian labor force in 1982 was the smallest since 1972. This decline in size is the result of unemployed residents leaving the area to seek emplyment in other cities and regions where conditions and opportunities are better. The decline can also to attributed to increasing numbers of the local unemployed becoming "discouraged workers."

Compared to other Colorado front-range metropolitan areas, Pueblo has been particularly hard-hit by the current national recession. Pueblo's jobless rate has been the highest of any Colorado front-range city and is much higher than the Colorado rate. Colorado unemployment average 7.4 percent in 1982—just over half of the Pueblo average for 1982. The reason Pueblo has been hard-hit lies in the nature of the industrial mix of Pueblo's economy. Being heavily dependent upon the steel industry, an industry having close ties to national economic activity, Pueblo is very sensitive to cyclical swings in the nation's economy.

Citing soft demand fo steel products, the local steel industry began slashing its work force in the fall of 1981. Furtehr cutbacks occurred in 1982, bringing the total number of Pueblo steelworkers currently on layoff status to approximately 2,000.

The prospects for these unemployed steelworks being recalled to their jobs are contingent upon the strength and magnitude of the national economy; more specifically, how fast the nation's steel industry rebounds. Yet, a number of the jobs lost by Pueblo steel industry will never be restored due to foreing competition in the industry, a treend toward more capital-intensive methods of steelmaking, and a need to trim payrolls for leaner operations.

Almost 53 percent of Pueblo's unemployed are laid-off steel-workers, with about 61 percent of our jobless residents being between 25 and 44 years old.

Twenty-five percent of Pueblo's unemployed have been without a job fifteen or more weeks.

Under the regular state unemployment insurance program, $16.6 million in benefits were paid to unemployment residents of Pueblo County, not including Federal Extensions.

Current efforts to alleviate unemployment in Pueblo have been hampered by severe budget cuts and substantial reductions in programs and services available to the unemployed of our community. Per capita welfare costs for the area are the highest in the State of Colorado and solutions to the problems appear to be regressing. Job training and palcement services are being provided to the community through the existing employment and training administration mechanisms; and as the implementation of the Job Training Partnership Act begins, consortium agreements are being negotiated with six other high unemployment counties for Service Delivery Area designation. Present efforts are being aimed at vocational education, classroom training, on the-job training, and job search assistance; but this is not enough to adequately ease the massive unemployment problem and deal with the lack of available jobs in the community.

A public service jobs bill would provide a mechanism whereby workers displaced in some of the heavy manufacturing industries could being the process of retaining by working in alternative occupation. Retraining and carreer assistance are paramount to their returning to the ranks of the employed. As the American economy shifted from an agricultural base to a manufacturing base, it is now shifting away from that heavy industrial base. Localities previously dependent on those industries have obviously suffered the greatest hardships; and while those industries will increase production as the economy rebounds, millions of persons previously employed by them face little hope of recall at any point. One of the main obstacles to retraining these persons is that they have traditionally been used to very high wages and benefits, and the must now come to the realization that in order to survive their expectations will require changes. A public jobs bill, which allowed wages comparable to those of persons similarly employed, could provide a mechanism to begin changing those expectations. In addition, it would be ridiculous to begin training many of these workers for high technology positions, when in essence, many would not qualify and would best be utilized in fields related to their previous employment. Funding for programs that will retrain displaced and dislocated workers must also include funds available for classroom training as well as on-the-job training.

Should there be additional federal assistance provided to communities to aid in alleviating unemployment through public service jobs legislation, the existing mechanisms of local employment and training programs could provide almost instant gearing up in order to put people to work depending on the restraints contained in such legislation. Should a jobs bill be aimed at capital construction and repair, many localities, including Pueblo, Colorado, would be hard pressed due to declining revenues to provide the materials necessary to undertake those kinds of projects. This would undoubtedly impact the time frames in putting people to work unless funding for materials was also available, perhaps through a mechanism such as the increased gasoline tax. A combination of these two types of funding would also allow for almost instantaneous implementation.

Funds for any program for job training should also include relocation assistance monies which would assist in helping individuals get established in areas where th jobs do exist.

Any type of jobs legislation should be designed so that as much flexibility is available to local jurisdictions in its use as possible. Over-restriction of activities through regulation could very possibly ignore the differing types of problems in different localities throught the county, thereby jeopardizing the success of the program prior to its inception.

Finally, the development of public service employment jobs utilizing and in conjuction with vocational education training for shortage occupations could be provided in the public sector through jobs in shortage occupational areas the hold the greatest job opportunity and future promise in the private sector. The payment of entry-level or trainee wages for a given occupation would be utilized so as to avoid the substitution problem as it woud assure that program participants would find private sector employment in an occupation for which there is a demand and would not displace or over-supply workers in other occupations.

STATEMENT OF DAN WHITEHURST, MAYOR, FRESNO, CALIF.

Mr. Whitehurst. I will wrap up on behalf of the panel. I wil submit oral remarks on behalf of the city of Fresno and, with you consent, would also like to submit written testimony on behalf o the U.S. Conference of Mayors.

Mr. Hawkins. Without objection, the written testimony will be included.

Mr. Whitehurst. One of the points I would like to point out to you, Mr. Chairman, is the fact that unemployment is a national problem and extends to the golden State of California.

In our central valley of California, we have very high unemployment, and in my city, the unemployment rate is over 12 percent. It has been as high as 15 percent. In a neighboring county the unemployment rate has gone to 20 percent.

This is a phenomenon that is existing throughout our State, and is affecting obviously millions of people in California. We have need of immediate jobs.

We have in Fresno County been working with our county government on economic development strategies. We have formed an economic development corporation. We are pursuing the expansion of our convention center, building a hotel, promoting tourism.

We have developed an industrial development finance program to assist projects, likewise housing finance programs. However, when we saw a 15-percent unemployment rate in our county, we discussed with city and county representatives our plans for developing long-term jobs. It became very apparent to us that even though it is essential to work on long-term economic development, that those programs are not going to provide relief to people who are currently unemployed.

The only way that we can get people back to work quickly is by some form of national jobs program. The city council on that basis resolved unanimously to advise the Congress of our strong support for an emergency jobs program at the national level.

As you know, the last few years in California, cities have been forced to cut back their budgets dramatically. A recent study by Security Pacific National Bank indicates that the area where cities have done most of their budget cutting has been in the infrastructure area; where cities have tried to balance their budgets by cutting back on their street maintenance and repairs, and restoration of bridges and so on.

That is bad news that these are obviously very important investments that cities must make. I guess the good news side of it is that if legislation such as the community renewal employment act is adopted, cities have immediate needs that we could go out with right away.

What we have done, we have had projects where they have already been decided, almost ready to go out to bid, and we have scrapped them because we needed to save the money. If we received funds that could be used on those projects, we could go out very quickly and put people to work almost immediately.

It is the view of our city that working through local governments is probably the most immediate, effective way of putting people to work. I think it is important to remember also that work on infrastructure kinds of projects constitutes not simply relief to people who are currently unemployed but the taxpayers will be getting dollar-for-dollar value for those expenditures, and we will be getting things, or we will be part of the public wealth, as it were. And so it is not a case of simply transferring money to needed individuals.

It is a case of buying things that cities in this country very much need and that are essential to long-term economic development. You can't have economic development unless you have that infrastructure system to support it.

As you know, California has been hit very hard by the weather in these last 2 months. Cities are going to have very real needs to repair public and private stuctures and facilities in our communities. There is a double-whammy.

When we have an especially wet year in California, that also means that the summer presents extraordinary hazards because of the increased growth of brush and so on. So we are going to have needs this summer, to have crews out making our communities safer from the very serious threat of fire damage. I would think that most of our money, were we to receive some, would go to street improvements, sidewalk repairs, maintenance of parks and some park improvements, but I think especially it is in the street and public facilities area that in our city we would place the highest priorities.

One other thing that I wish to mention, and I join my colleagues in this regard, and that is, the plea for flexibility.

If you talk about infrastructure work, that involves the use of skilled workers. If we are restricted in how much we can supplement the wage levels, or if they are too low, it may prevent us from getting the skilled workers to do the kinds of jobs we can do immediately.

Any additional restriction that you place on it is going to lengthen the time it will take for us to get the dollars out. My plea there would be for as much flexibility as possible.

I assure you that cities have enough in the way of backlogged, worthwhile projects that we could spend funds on efficiently and wisely, put people to work quickly, and bring back dollar-for-dollar value to the citizens in exchange for those expenditures.

With that, I will conclude my remarks.

[The prepared statement of Dan Whitehurst follows:]

Prepared Statement of Dan Whitehurst, Mayor, Fresno, Calif.

Mr. Chairman and Members of the Subcommittee on Employment Opportunities, the Conference of Mayors welcomes the opportunity to express its very deep concern for the 11 million people that are currently out of work in this country and for the millions more who could eventually lose their jobs as a result of the continuing economic fluctuations and dramatically changing labor market needs.

There is no way to overstate the problems related to unemployment. For the individual that can't find work, unemployment poses problems not only for physical survival but for mental well-being. It is horribly demoralizing.

For the nation and for our nation's cities, when so many people are out of work, the impact is nothing short of devastating. The demoralizing effects of unemployment can be felt by an entire city, or even an entire state or nation. Progress has always been based on optimism, on a belief that dedication and hard work will lead to a better life. When millions of people lose hope, that reduces the collective optimism upon which a city, state or nation bases its growth and development.

There are, of course, other more measurable effects of unemployment. The loss in wages reduces tax revenues at all levels of government and makes it very difficult for those governments to maintain their services. Also, those lost wages and the resulting reduction in purchasing power, hurt businesses. This, of course, not only results in additional reductions in tax revenues for governments, but it often forces businesses to lay-off workers or to go under altogether. The cyclical nature of high unemployment is obvious.

Unemployment insurance provides some relief to the individuals who are unemployed, but, overall, the impact of such insurance is more negative than positive. First, such payments do nothing to address the individual and collective morale problems created by unemployment. In fact, in a society that values work, such payments may actually exacerbate those problems. Second, such payments are intended to allow an individual and his or her family to survive. They rarely are sufficient to allow the recipients to regain any significant purchasing power. Thus, neither governments nor businesses are helped. The cycle, of which unemployment is a part, remains unbroken, although millions of dollars are expended. Additionally, the unemployment insurance systems in increasing numbers of states are on the verge of bankruptcy as outlays far exceed income.

There are other problems that relate directly to unemployment. Unemployed people necessarily place a burden on local government social services at a time when there are insufficient funds to support those services. Also crime and vandalism increase as people seek ways to survive or to vent their frustrations.

Such problems occur during any period of high unemployment. Today those problems are complicated by the fact that the nation is on the verge of a technological upheaval that has not been equaled since the Industrial Revolution. The uncertainty created by unemployment is complicated by the uncertainty created by these basic technological and economic changes. In such times it is vital for the federal government to take steps, along with state and local government as well as the private sector, to alleviate these problems.

The federal government has played a principle role in very major economic or technological transition that this nation has faced. It was the federal government that established land grant colleges to meet the educational needs of a changing labor force. It was the federal, state, and local governments that built the highway and railway systems to meet the demands of an expanding nation. It was the federal government that provided the energency jobs programs during the Depression to keep people going until the economy regained its strength. Since the Depression the federal government has provided financial assistance packages to help floundering companies and to stimulate the creation of new businesses. And, finally, federally legislated tax incentives have been utilized to stimulate business growth and expansion.

This nation is currently experiencing economic and technological changes that bring hardship on millions of people while simultaneously creating entirely new career opportunities. It is an ironic sign of the times that millions of people are unemployed at the same time that certain skill shortages inhibit economic growth. This irony presents a dramatic challenge to the nation to insure that the transition to the new technology is accomplished with a minimum of damage to those that suddenly find their job skills outdated. The transition must be handled comprehensively, utilizing four basic approaches:

Meeting the immediate employment needs of those Americans who are out of work and are unable to find it.

Retraining the American labor force.

Providing American business with the fiscal help it needs to adjust to the rapid changes that are occurring.

Repairing and rebuilding the nation's infrastructure.

MEETING IMMEDIATE EMPLOYMENT NEEDS

Jobs—even federally subsidized jobs—are preferable to unemployment checks or welfare payments. Substantial job creation programs alleviate unemployment problems and signify a positive step in solving an immediate problem. Further, wage earners pay taxes and have purchasing power. With jobs, the cycle is broken. However, direct job creation programs are no more than a temporary solution to a long term problem. If nothing is done to resolve the economic problems that led to the high unemployment in the first place, then a jobs program will have accomplished nothing of a lasting nature. If, on the other hand, such a program provides meaningful, subsidized employment while other, more long term economic measures are being put into place, then the jobs program, as part of a comprehensive package, will have accomplished a great deal.

Since the bills that the Subcommittee is considering during these hearings focus primarily on job creation, the Conference would like to address that issue in more detail later in the statement. Before doing that, however, there is a need to address the other three approaches that we feel must be taken in order to affect real changes to resolve the unemployment situation.

RETRAINING THE LABOR FORCE

Millions of workers are now in jobs or have been layed off from jobs that will soon disappear. Millions of youths have no skills at all and must be provided with training that is relevant to what will be rather than to what has been. For that reason, all levels of government must assess current education and skill training programs, in light of projected labor market needs, and take the steps necessary to insure that Americans have the skills they will need for tomorrow's jobs. This will require not only an overhaul of curricula but a major investment in training equipment and supplies.

Last year the Congress passed the "Job Training Partnership Act", which includes provisions to train America's poor as well as our youths and to retrain our dislocated workers. The Conference of Mayors urges the Congress to insure the continued funding of programs under this Act. With regard to training for our poor people and youths, at a minimum, funding levels established in FY82 should be maintained. The definition of "current funding levels" should be based on outlays for the fiscal year rather than upon enrollment levels at a specific point in time for that fiscal year. The enrollment level methodology was used to determine funding levels for FY83. As a result, actual funding levels were significantly reduced at a time when the need for training had been drastically increased.

With regard to training programs for youths, the Conferences supports the creation of a new youth employment and training program, to be added to the "Job Training Partnership Act". Such a program has been included in Senator Kennedy's "Emergency Jobs, Training, and Family Assistance Act". The Conference also urges a continuation of funding for the summer of 1981. Such level of spending should include the basic appropriation as well as the supplemental funds that were provided.

The Conference also urges additional funding for the dislocatd worker program that was created under Title III of the "Job Training Partnership Act." In December the Congress provided $18 million for the program in FY83. However, that amount is insufficient to have any real impact. Apparently, the assumption was that the states would have trouble starting up a new program and, consequently, would not be able to spend large amounts of money. However, the training mechanism is already in place, with the vocational education and the old CETA prime sponsor systems operative. The transition from the prime sponsor system to the delivery system established under the "Job Training Partnership Act" may cause some problems, but the delivery of services will continue uninterrupted. There is no reason to continue the suffering of dislocated workers for another year. The dislocated worker program should be funded at a level sufficient to develop and implement viable retraining efforts.

There is also a need to invest in new equipment and technology to provide training that is relevant to future labor market needs. The vocational education and community college systems need assistance, either through grants or loans, to overhaul their curricula and their training facilities.

Finally, as stated previously, unemployment insurance programs could be modified to provide financial support for retraining programs.

HELPING AMERICAN BUSINESS

Many existing industries are in need of retooling. Other are on the verge of extinction and must be completely overhauled or replaced. This will take billions of dollars, to be provided either by the government or by the private sector. It is questionable whether American industry is in a position to make the tremendous changes that are required. Even if they are in such a position, the changes will have to be slow and gradual and the cost will ultimately be passed on to the American consumer. The private sector would have no other choice.

It seems, then, that the best option is for the federal government to provide some sort of fiscal assistance. Several options should be explored, including the following:

The creation of a reconstruction finance corporation to provide low interest loans and other assistance to companies that need to overhaul their businesses. Such assistance should be limited to those types of operations that have a marketable future.

The provision of additional funds and technical assistance for the creation of new businesses, with special emphasis on small and minority owned companies.

The development of fiscal incentives that are sufficiently large to permit expansion of business and the creation of jobs. The Conference of Majors supports the concept of the enterprise zone as one such incentive.

The development of a viable, rapid, reliable labor market information system that predicts trends and reflects current situations to the extent necessary to allow planning for the future.

REBUILDING THE INFRASTRUCTURE

Newspapers and magazines have documented the plight of American's cities and the nation's highways and bridges quite well. State and local taxes are insufficient for these governments to solve the problem on their own. Tax limitations have been exacerbated, of course, by the reductions on revenues created by high unemployment. For this reason the federal government should provide assistance to state and local governments to rebuild the infrastucture. It is not only a problem of deteriorating life styles but a serious impediment to business growth and development.

The Conference of Mayors continues its strong support of such programs as the Community Develoment Block Grant and the Urban Development Action Grant as a means of rebuilding the infrastructure. We also support the concept of an infrastructure-related job creation bill such as that proposed in Congressman Gus Hawkins' "Community Renewal Employment Act" and in similar bills introduced in both the House and Senate. Such proposals would be a significant supplement to CDBG and UDAG as well as to other proposed public works programs. They would be labor intensive, would permit a rapid start-up and would focus on the broader range of activities than is normally provided in public works projects.

THE JOB CREATION BILLS

The Conference of Mayors is pleased that Congressman Hawkins, as well as other Representatives and Senators, have been willing to address the need for direct job creation. The Conference is not convinced that the measures currently under consideration in Congress which would simply add funds to existing federal programs will lead to any significant number of new jobs. While the provision of additional such funds to specific federal programs will have positive impacts upon the problems which they were originally designed to address, the programs receiving those funds were not designed as job creation mechanisms. In most cases additionally funds will probably extend jobs that otherwise would have been terminated. In other cases the program will be so capital intensive that they will result in a very few number of jobs. The jobs that will be created will be limited in scope and will be available to a small segment of the unemployed population.

The most effective way to create large numbers of new job opportunities quickly is to develop a program that has job creation as its primary function. Such programs can be written in such a way as to maximize the dollars that are available for wages and minimize the dollars for capital expenditures; to insure that job opportunities are sufficiently broad in scope as to provide opportunities for all or most segments of the unemployed population; to target funds to areas of high unemployment; and to insure that those people who are most in need receive hiring priority.

All of the direct job creation bills that have been presented in the House and Senate have merit. However, Congressman Hawkins' "Community Renewal Employment Act" best exemplifies the type of direct job creation program that the Conference of Mayors would like to see implemented. There are several reasons for this.

First, funds for the program flow directly from the federal level to the local government. Local governments are in an excellent position to develop and implement a jobs program quickly and effectively. The unemployment problems vary widely within a state, as do the subsidized job opportunities and infrastructure needs. Local governments are in position to identify needs, develop the most appropriate program and carry out the projects which reflect that program.

Second, funding allocations are based on the employment conditions as they exist within the local areas rather than as they exist in an entire state. This prevents the problem which occurs then a local jurisdiction with high unemployment is located in a state with relatively low unemployment. In effect, it insures that dollars are channeled primarily to the areas of highest unemployment.

Third, the program is separated from the "Job Training Partnership Act." We learned an important lesson from CETA. The public service employment program, which was originally designed as a temporary solution to high unemployment, came to be identified with the intent of the CETA training program, which was intended for economically disadvantaged people. As a result, the PSE program was accused of not performing in accordance with CETA restrictions which should never have been applied in the first place. Then, as a result of the growing unjustified unpopularity of PSE, the entire CETA program lost favor, although all evidence has shown that the training program had become a sophisticated, targeted service delivery mechanism. The Conference is glad that the jobs program will have an identity that is separate from the training program or from any other federal program that is targeted to local communities.

Fourth, job creation focuses on infrastructure maintenance and repair but allows for other job opportunities that will insure that both men and women, skilled and unskilled workers have the chance to seek employment.

While the Conference is pleased with the overall approach of the "Community Renewal Employment Act", there are several items of concern. First, the bill provides that, except in communities of less than 250,000, the number of people employed in subsidized jobs by eligible entities shall not exceed 5 percent of the number of unsubsidized employees of that eligible entity. The Conference assumes that this provision is designed to encourage local governments to contract with other agencies and organizations to carry out the job creation projects. While this may not be a bad idea, the imposition of a 5 percent limit may not be feasible in every city, especially in those cities that have traditionally employed their own people to carry out certain specific infrastructure maintenance and repair projects. For cities that have road crews, for instance, it would make little sense to contract out for road repair services when additional people could be employed by the city. In fact, to do so would be in contradiction with the provision to prohibit the use of funds to provide public services, through private organizations or institutions, which are customarily provided by a state, the local government or local educational agency. The Conference recommends that, rather than impose an arbitrary limit of 5 percent, the bill should include language that would encourage the utilization of employers other than local government in those instances in which the city was not already directly involved in the delivery of services. A financial incentive could be used to encourage the use of other employers.

Second, the bill prohibits the local government from supplementing a wage by more than 50 percent. If the infrastructure projects are to be substantive, there will often be a need for highly skilled people that will cost more than the limit imposed by the bill. As long as the limit on federal dollars is established at $10,000, there is no reason to limit the local supplement.

Our third concern is that this direct job creation bill is not part of a comprehensive package which gets at the four approaches discussed above. Without the companion pieces to increase retraining efforts, retool and redirect American industry, and make the necessary capital expenditures to rebuild the infrastructure, the impact of the job creation program will be minimized. The nation doesn't need a band-aid; it needs a cure. A comprehensive package could provide that cure.

Mr. **Hawkins**. I think all of the witnesses seem to agree on various points which would prevent or make certain questions unnecessary.

I would assume that consensus seems to be that the activities that are to be undertaken are certainly not to be included in any broad definition of make-work, that all of the activities referred to are vitally needed, and that it isn't necessary to create make-work jobs in order to expend the moneys. I think that that seemed to be generally the consensus.

I also got the idea that all of the witnesses indicated that the program could be started almost immediately; that is, certainly within 90 days. There was one deviation from that.

Now, there was some difference of opinion, it seemed to me, on how the money should be targeted and to whom should the program be targeted.

In the proposal under consideration, H.R. 1036, the target is aimed at the long-term unemployed, meaning, of course, those who have been unemployed 15 weeks or longer. Within that broad class, however, there seemed to be some difference of opinion.

I would like, therefore, to ask the witnesses to better identify how the target would be accomplished, and also in responding to include two other topics, two other issues.

There was great difference on the question of administrative costs between the 7.5 in Duluth and the proposal before us of the 25-percent allowance, including, of course, materials and other things as well as specific administrative costs. There seemed to be some difference of opinion.

On these issues that seemed to create some difference, would any of the witnesses care to respond?

Mayor Takaki.

Mr. **Takaki**. Because I didn't go into depth in the written statement, I might mention as an example, we have 53 percent unemployment and we have lost 6,600 jobs in the last 2 years out of a community of 104,000 people. About 53 percent of the unemployed are laid-off steelworkers and 61 percent of these jobless residents are between 25 and 44 years of age. Twenty-five percent of these unemployed have been without a job 15 weeks or more.

I think that we are targeting in on an area—we have very specific areas that our manpower program is going to. The diversity of opinion really points out one thing that we have all reiterated: the great need for flexibility in a program to address those specific areas in specific cities owing to specific local problems.

Age differences make a difference, the length of time they are laid off, the ability to retrain—all of these are local problems.

Mr. **Hawkins**. Anyone who has been unemployed for less than 15 weeks? Would that diversity extend to helping those who have been unemployed less than 15 weeks? And specifically in what instances?

Mr. **Takaki**. Primarily for those who have no other type of assistance available, those are the first targets.

Mr. **Hawkins**. Even though they might have been unemployed for 2 or 3 weeks?

Mr. **Takaki**. Yes. Many of the unemployed in different areas have unemployment benefits and other means of income. At the National League of Cities, those take the highest priority, those that have no other means of income whatsoever.

Mr. **Hawkins**. It is not anticipated that we are going to get a lot of money. Even the proposal which would in effect authorize somewhere in the neighborhood of $9 billion is considered around these halls to be rather extravagant—not that this committee agrees necessarily with that assessment.

However, we know the climate in which we operate, and we know that there are individuals who feel that job creation would add to the deficit rather than decrease it. Again, that is not the view of this subcommittee, and not the view of the chairman of this subcommittee.

However, we do have that practical consideration. So that targeting is somewhat adjusted to what the committee thinks is a realistic figure that may be obtained.

Now, assuming that is so, then obviously, unless it is targeting rather specifically, it simply means that it just isn't realistic to expect that any more than that is going to be authorized or even expended; even if it is authorized.

Mr. **Fedo**. Realizing fully that with the limited funds that we had, and with the limited funds being proposed in this particular bill, we are not going to be able to hire everyone. But we wanted to make the biggest impact with those people that needed it the most, so we chose to go after these people who had been unemployed the longest, had drawn out their benefits, had no other sources of funding, whether it be through local social services or any of the other agencies that might have otherwise helped.

We found on that basis, as we furnished almost 500 slots in our program, 2,000 people within 4 days applied with those basic criteria.

The other question that you brought up about the cost of administrative overhead, I guess from my perspective, as I instructed my staff to put our program together, there was one thing that we stressed throughout, and that was that these moneys were to go into the pockets of those people that were unemployed.

We don't need any more bureaucracy. We felt that the dollars were best spent with as little bureaucracy and as much flexibility as we could put together. This is very, very possible in this particular bill today before us as well.

The 5-percent factor for Duluth only means 45 jobs, and with thousands of people needing jobs, 45 does not really make any type of impact at all. As it relates to the prevailing question, we felt that as we put our particular program together, again, realizing that this was no panacea, we grabbed the $4 an hour figure and found that most folks were anxious to get $4 an hour versus getting nothing.

I understand that that is going to be very controversial. And as a very strong union city and union State, we found, though, that people were more interested in getting a job than fighting about whether it was the prevailing wage or something other than that.

Mr. **Hawkins**. May I rephrase perhaps the question to some extent on administrative costs.

Let's assume that the 25 percent which is now in the proposal is reduced to a lower figure, say, 15 or something in that neighborhood or even 10 percent; would the local governments be in a position to supply the materials, equipment and so forth, that would be needed on many of the projects that we are talking about—assuming, of course, we are talking basically about projects of a public works nature in many instances?

Perhaps you can best respond to whether or not these materials and supplies and so forth could be furnished at the local level and, therefore, would not have to come out of the funds, the Federal funds, which would be appropriated.

Mr. Lindberg, you wanted to respond?

Mr. **Lindberg.** I am going to answer the question by way of expressing ignorance rather than declaring wisdom. But we do have some experience on these matters, in other areas, at least.

One is on the administrative issue. Currently, we in the city have found with the help of an auditor from the Federal Government, that there are many hidden or indirect costs in administering a program.

Now, the community development block grant, for example, has a 20-percent limit, and we felt for a long time that we were safely under the 20-percent ceiling. Through our own analysis, we have discovered that things such as accounting office charges, equal opportunity audits, anything from motor pool and so forth were not included in those figures. Therefore, the actual cost to the city, even within the guidelines of HUD, was much higher than the recorded figure of 20 percent or less.

What I want to offer, in terms of ignorance, is the statement that I am not sure, frankly, whether a 1-percent figure is accurate. If one auditor looked at our books compared to a different auditor—and along the theme of flexibility—I would not be uncomfortable, I believe, with the 25-percent figure, knowing that that gave us the option which we desperately strive to exercise to keep administrative costs as low as possible. But we just don't want to get tangled up in more disputes that cost more money on the part of our administrators and city attorney's office and so on.

Therefore, I assure you that we will work very diligently, as the city of Duluth has succeeded in doing, in minimizing administrative costs. I don't believe that should be a fear. And, therefore, flexibility once again is the order of the day.

On your other question, if I might continue, you asked about targeting. Again, my impression is that the purpose of your proposal is to address problems of counter-cyclical unemployment, and that to me is differentiated from structural unemployment—meaning, these people that might be completely out of it in terms of job training or job experience, or access to job opportunities on a long-term basis.

Cyclical unemployment, especially as exercised through a municipal government, or contracting for services that a municipal government might provide, may require a level of skill, for example, that makes us less an employer of last resort than an employer that addresses needs of people that may or may not have been unemployed for 15 weeks.

By the way, that is a category of people that, it strikes me, on a probability basis is more likely to be structurally unemployed rather than cyclically unemployed.

Hopefully, that addressed your question. Again, perhaps the 15-week limitation is limiting our ability to react to local options, to local conditions.

Mr. HAWKINS. Thank you.

Mayor Takaki.

Mr. TAKAKI. In regard to the last question, should we have a jobs bill aimed at capital construction and repair?

There are many communities throughout this country, like ours, that could be in a state of declining revenues. The money that would be required for capital construction, that is, for material and for supervision will not be available. Obviously, jobs without supervision do not work very well.

We could absorb some of that, some could be done inhouse. But we still have to hire outside supervision. With the contract actual arrangements that we would have, we would have to make that kind of provision in order to execute whatever project that it might be, and not only the project itself, but it would be very useful to have some ability to provide funds for materials as well.

Those two things, especially the material concept, with a declining base, it lengthens a time for implementation. We have a timing lag there to make that up, in order to get that one in place before you can go ahead and complete the project.

Thank you.

Mr. HAWKINS. Thank you.

Mayor Bourg.

Mr. BOURG. Yes, Mr. Chairman. In our program that we had going, our administrative costs, that was not as high as we are talking about here.

The material costs for them to do this, the things to put in place, that will vary on the project you are working on, and to have that restricted would restrict the amounts and the types of work that could be done.

We had our people working with our public works department doing some very, very important work. It wasn't just cleaning, but we laid some pipe and the pipe cost money, in reference to the 20 percent.

If all this money had to go to payroll, we might not be able to be as effective.

Mr. KOGOVSEK. I wish to thank the mayors for their very helpful statements in describing the unemployment situation as it affects Oregon, California, Minnesota, and Illinois, because I think that covers pretty much a good portion of the country.

I think we have seen that while there is high unemployment, that there are different solutions.

I especially appreciate the comment of the counselor from Eugene, Oreg., in regard to the fact that I feel as you do that the President had to probably search high and low to find a lumber mill that was in fact, working.

I think that is going to be incumbent upon you, as you meet with other members of the National League of Cities, to do some downfield blocking for this committee, to let the President know as you meet with him, that while things appear to be turning around—and we all hope that we are—that we can't fall back into a position where we are not doing anything.

We will have to do a lot more than the almost $5 billion emergency relief and jobs program that we passed last week. That is just phase I of a comprehensive program, and we are going to have to get into phase II as quickly as we possibly can.

I am asking for some help on behalf of those who feel that we will have to do more, and to let the President know that things are not as good as he thinks they are, and that we are still going to need some help back home to get some things done.

Having said that, let me ask all the members of the panel this morning whether you agree with that. Are we going to have to go into a phase II? Is the $4.9 billion enough? I know you will say it depends on what we do next and how we do it, but let me ask that question of any of the members of the panel.

Mr. BOURG. I believe that that is just a start. While we read in the paper of the 9.9-percent increase, I believe was the figure, in home construction starts in the past month, the city of Joliet has not had anywhere near that. Our businesses are down because of the devastating unemployment rate that we have had.

If the people don't have jobs, they can't take the opportunity to buy, to do those things. Until we put the people back to work, we are not going to have this influx. The infrastructure of the older cities such as Joliet has to be dealt with along with the other problems in these cities.

Some months ago Secretary of the Treasury Regan said "For every 1 percent of unemployment, there is an estimated loss of $25 billion to the Federal Government."

Every time we talk about Congress allocating $5 billion or $6 billion, and then it was kicked back to $3 billion, I never see them express the amount of moneys that that will bring to the Federal Government. If you put 1 percent of the unemployed back to work, it will add approximately $25 to $33 billion, to the Federal Treasury according to the Federal Government's own figures, and if it costs you $10 or $12 billion to do that, that is still a good buy as far as I am concerned.

Mr. KOGOVSEK. I thank you for that statement. Is $5 billion enough, and we shouldn't do more?

Mr. TAKAKI. I do not disagree. I am particularly concerned about the timeliness of the present legislation—how fast it happens, if it happens too late, and we have too little too late, and within that period of time. I am not trying to be so parochial as to protect one community, if it is too little or too late, there may not be a recovery period for those industries.

Fifty percent of the people that we lay off in the steel industry, 50 percent of those people will not go to work in that industry again. We see the demise of communities throughout this country and the loss of industrial capacity. What do we do to retrain? It is the first of a 50-point program.

Mr. FEDO. I guess I would agree with that, that the caution at this point is too little, too late, and the fact of the matter is we are seeing somewhat of a nomadic situation occurring up on the Iron Range in Minnesota. With 16,000 people once employed, the prospects of 11,000 going back to work are not very realistic and 5,000 people may have to pick up and move elsewhere for a livelihood.

The question is: Is it going to be too little, too late? FDR said a long time ago that you don't walk into a room, a home where a man was just hanged, and talk about the price of rope, and I guess that is what we are talking about now. We are talking about the price of rope and we keep hanging more and more people.

Mr. LINDBERG. I agree strongly with your remarks and want to underline the fact that I believe in Oregon we have experienced that economic recovery, as each business cycle goes up and down, does not necessarily mean more jobs. In fact, in our case often it means the contrary because each time we come back, the way that the private sector has responded is by further automation and further elimination of jobs. I think our experience, and that of others across the country, indicates that the real issue in phase II is going to be displacement, and that the role of the Federal Government should include job training for displaced workers and should also include the adoption of a real Federal policy that focuses on jobs and considers that a priority. I don't believe it is a priority right now.

There are a number of ways, one is through the coordination of information and the other is through the better coordination of regional development, because prior testimony suggested that often economic development locally happens at the expense of some other region.

Mr. KOGOVSEK. I appreciate the remarks that were just made. I especially agree with you in the area of retraining. Mayor Takaki and I both know that it is going to be very difficult to find the right area, as far as retraining steel workers who have worked out at our steel mills for 20 or 30 years.

How do we retrain them? Which direction do we go to? I am sure that that retraining difficulty is going to be true nationwide. People who are used to doing a certain kind of work for 20, 30 years, and they are still relatively young have another 20 years of input. I don't know what we do in that respect.

Let me ask one more question. I assume both unemployment benefits and health care benefits are running out in all of your areas, and that is causing a severe problem. Would anyone wish to speak to that point?

Mr. BOURG. Joliet has experienced heavy unemployment for quite some time. We have been there with the heavy unemployment. I am now seeing many cities that are now getting into the heavy unemployment, but our problem is exactly as you just expressed. We have people that have been unemployed for so long and have no funds at all, and they are really getting into trouble with their health care insurance, or lack of it. It is really getting critical for them and their families.

Mr. WHITEHURST. If I might comment also, in our county, we hit 15 percent unemployment in March of last year and ever since then, we have been somewhere between 11 and 15 percent. To run these kinds of statistics for a whole year means that a lot of people are losing that kind of coverage, and it is beginning to affect a lot of us.

Additionally, in our community, as with a number of other communities, we had a large influx of refugees, from Indonesia. In our case, many of them did not qualify for a number of programs.

One other comment, backing up to your previous question, and that is, has the legislation that you have just worked on done enough? One of the features of the legislation that is before this committee, that I think is really important and that the previous legislation does not address, is the absolute need that distressed citizens have. Every city I know of has very serious economic problems; if we cannot provide the basic infrastructure, we won't have economic recovery in this country.

The feature in your bill I am very supportive of is the marrying up of two very important points—the need to keep alive that infrastructure and the need to keep alive the families that it is going to take to rebuild the country.

Mr. KOGOVSEK. Just in closing, Mr. Chairman, once again I appreciate the testimony this morning. We here in the Congress realize that we have to do something about the total big picture that is exacerbating your problems back home. You mentioned immigration. We are going to have to do a better job there. More and more people are coming up from Mexico and taking jobs.

The illegal dumping that is going on in the steel industry, that is displacing hundreds of thousands of steelworkers nationwide. We also have to do something about imports and exports. We are going to have to make sure that we are exporting more and we have to provide some way as a government to get that done. We are going to have to do something about the tremendous number of imports that are coming in costing jobs.

We can't be a protectionist nation in the meantime. We have to do something about the $200 billion deficit that is drying up the money market for the average constituent that you represent.

What do you do about a $200 billion deficit? There are those people on this committee that have some ideas. It seems to me we can cut $20 billion out of the defense budget without really hurting our defense system. We can defer the third year of the tax cut that is coming up in July and save $60 billion.

As important as tax indexing is, we could even defer tax indexing past 1987 and probably pick up another $60 billion. Before you know it, we are doing something about the deficit.

I would ask you very seriously that when you meet with the President, try to make him realize that we can cut defense spending, and that this small jobs bill we just passed should just be the first phase of an economic recovery.

Mr. HAWKINS. I think the message is very clear. There is distress at the local level. What is now being done is thoroughly inadequate, I think the thought expressed perhaps by Mayor Bourg was very specific on the question that investing in job creation, on putting people to work rather than being a liability and adding to the deficit is actually a wise investment and will return several dollars for every dollar invested.

I think there was no disagreement with that position among the witnesses. Again, we wish to thank you for your contribution to the hearing this morning, and to wish you the best of success in your negotiations with the administration while you are in Washington. God bless you.

The next panel will consist of two individuals who are not strangers to this committee: Dr. Sar Levitan, director of the center for social policy studies, and Dr. Robert Taggart. Dr. Levitan, please come forward. Dr. Levitan, a note of personal thanks to you for all the assistance you have given to the chairman over the years. You have helped to keep me on the path of righteousness, I think.

STATEMENT OF SAR LEVITAN, DIRECTOR, CENTER FOR SOCIAL POLICY STUDIES

Mr. LEVITAN. I will try to live up to the reputation established by the earlier panel and even if I never carry the precinct, I would like to be rather precise, so with your permission, I would like to include my prepared statement in the record and summarize it briefly.

I will speak to an observation made by Senator Hatfield. He said that there is no magic in creating a jobs bill. There are only limited alternatives.

I would say unabashedly that we should try to go back to tried and true methods, namely, the proposals that are before your committee, public service employment, public works and training should be the main vehicles for any job creation program, and while training is technically not a job creation program but at the same time, the first two options that you suggested would provide the taxpayer with commensurate value for the expenditures as were suggested by the previous panel.

The third would provide a needed trained work force that will be required for an expanding economy.

In addition, I think that you may want to consider two experimental programs. One would be a work sharing program which, of course, is available now in your State, Mr. Chairman, in California. I think a number of European nations have tried the same program, and I think it might be adopted here in terms of supporting some kind of a scheme for work sharing.

At the same time, there would be no greater outlays because instead of laying off 10 percent of a work force, then each one would be made up by part of the lost wages which would be made up from unemployment insurance instead of laying off 10 people completely.

Another experiment that you may want to try out, and this is suggested by some of your Republican colleagues on this committee and elsewhere, is to use unemployment insurance vouchers for long-term unemployed, those who receive supplement insurance, have a year or longer, possibly if we get a few additional weeks of unemployment insurance, to offer special incentives for employers, hire them, and they could use it for tax deduction.

It might give preference to those long-term unemployed. It would offer employers incentive to hire long-term unemployed rather than people who are just laid off or just entered the labor force.

You have raised in the question before the previous panel the issue of pay. That is, of course, something that has to be considered very, very carefully. What kind of pay scales do you adopt? My own brief comment would be public service employment or the public works, whatever programs you adopt, should neither be make-work projects.

There would be no use to touch upon Davis-Bacon. You can overcome that. To use the wages as was suggested in the previous panel, $4 an hour, I have a great deal of sympathy. People that have no jobs at all may want it. At the same time, to use the lower wages for employing people in public service employment would be almost impossible, and at the same time also it would make work rather than real work, which it would be, as your bill would suggest; you can make a limit on the weekly wage and then adjust hours of work accordingly.

In other words, let's say, if a municipality or a county wants to hire someone where the work that they need and the work that was paid for that job is $15,000, put a limit on, let's say, $10,000 a year or $200 a week, and then that person would work only two-thirds of the time.

In some cases it can be arranged, again work-sharing arrangements but in other words, I would try to preserve the weekly wage rather than, the hourly rate rather than the total annual pay.

There is no use to talk about Davis-Bacon. This is a matter of religion in these halls, and, therefore, that is something that can be adjusted accordingly.

Now, as far as the level of appropriations are concerned, I would start with an immediate appropriation of $10 billion and then see how the economy progresses. I would not go along with some of the bills that would put in immediately $10 billion to date, $20, $50 billion next year. That is impractical and also it is just a wasted prayer. I believe in the efficacy of prayers but not when we know beforehand that the prayer is going to be wasted.

We can start with the $10 billion, and I am afraid that we will need more, but at the same time a provision that you have in your bill, in H.R. 2016, which you put in CETA which was never enacted, and that is to soak up 20 percent of the excess unemployment. There is no need to debate whether the excess unemployment is over 3, 4, 5 percent, I will leave that to 2 or 3 years later when we start worrying about it.

We will talk next about public service employment or job creation. I don't think that that can be overemphasized. If you are going to start major programs running into the bills, and then I have strong misgivings about the ability of the current employment and training administration to manage a program of this magnitude efficiently and expeditiously. I have strong misgivings of their administering the present program, and to add major resources, it would create very, very serious problems.

I would urge that this committee, I have not checked whether it is in your jurisdiction, that requiring very immediate congressional oversight as far as administration of the training, well, I think there may be very, very real problems, if Congress would enact now the $4 billion, but whatever program is enacted, in oversight, very strong oversight of what is happening in the employment and training administration, is overdue and highly necessary.

Mr. Chairman, to show that professors can be brief, I yield 3 minutes of the 10 minutes allotted to me back to you.

[The prepared statement of Sar A. Levitan follows:]

PREPARED STATEMENT OF SAR A. LEVITAN, DIRECTOR, CENTER FOR SOCIAL POLICY STUDIES, THE GEORGE WASHINGTON UNIVERSITY

A. Underlying assumptions:

1. In his latest state of the union message President Reagan acknowledged that "the government must take the lead in restoring the economy." This calls for the recognition of the principle that we are "our brother's keeper."

2. The desired way to provide employment is through the private sector. However, if the private sector can not generate enough jobs then it is the role of government to reduce the job deficit.

3. Given the jurisdiction of this subcommittee, here we focus exclusively on job creation programs. Clearly any direct federal job creation program could not succeed in pulling us out of our present economic quagmire without the proper monetary and fiscal policies.

4. It is no longer a question whether we can afford a significant job creation program. We are now suffering from a shortfall of 15 million full-time jobs, a figure that reflects Americans who are looking for work but cannot find jobs, those who work part-time but desire full-time jobs and those who have given up the job search.

5. A reduction of 1 percent in unemployment is likely to generate economic forces that would reduce the federal deficit by some $25 billion. It is therefore incumbent upon responsible federal policy to reduce unemployment to acceptable levels not only to alleviate human suffering but for sound economic reasons.

6. Ever since the days of the WPA, job creation has been subjected to biased attacks. Now the administration fans this bad press, but the data show a different story. Job creation works. Richard Nathan's study of PSE indicates success; Robert Taggart's analysis of longitudinal data indicate PSE produced significant long-term income gains over comparison groups; PSE also raised employment and labor force attachment for participants after program.

7. Economics is about the demand side as well as the supply side. We should train workers, but for them to be employed we need a growing demand for labor. This requires demand as well as supply side policies.

B. Job creation programs:

1. A minimally significant federal effort for fiscal 1983 would require a $10 billion initial appropriation. Amounts needed for 1984 and thereafter will depend upon the pace of economic recovery.

2. Criticisms that a job creation program will rekindle inflation appear unfounded. Few economists in and out of the administration anticipate that unemployment will drop below 9 percent before the end of next year. Equally specious is the argument that a federal job creation program will interfere with recovery. On the contrary, a job creation program will spur consumption and induce business to invest.

3. The elements of a significant job creation program should include by the end of this year some 500,000 public services jobs, an equal number of public works jobs, and training opportunities for those who must acquire or refurbish their skills in order to prepare for useful and productive work. The speed with which the programs will be phased out will depend upon the course of economic recovery.

a. Public service jobs. In order to create a large number of public service jobs to combat the recession, a good place to begin would be the rehiring of unemployed state and local civil servants who comprise most of the 900,000 government employees laid off from their jobs as of January. State and local governments have been forced to make deep cuts in many public services in recent years, and the rehiring of affected workers would restore neglected government functions instead of providing "make work" jobs.

b. Public works jobs. As an emergency countercyclical measure, public works jobs should be focused on maintenance and repair related to the nation's deteriorating public facilities, including tasks like filling potholes and other repair work that can be partially performed by relatively unskilled workers without delay. Of course, the financing of simple public works projects would stimulate the private sector by preventing many bankruptcies of small construction companies that are now facing extinction. Also, one out of every five construction workers is unemployed. More complicated work to shore up the nation's infrastructure is also needed, but with their requirements for lengthy planning and careful design such projects should be evaluated on their own merits rather than in the context of an emergency job creation bill.

c. Jobs for youths. Congress could also take a leaf out of the Civilian Conservation Corps program of the 1930s, undertaking public works projects in the nation's recreation areas while also creating jobs for unemployed youth.

d. Training. Many idle workers will never be able to return to their former jobs and would profit from a period of federally-sponsored training. Under provisions of the Job Training Partnership Act, current law authorizes job training, but fails to provide stipends for low-income participants, as though the administration expects the unemployed to eat training. The Congressional Budget Office has estimated recently that the number of displaced workers ranged between 200,000 to six times that number, depending upon the definition used. This year's appropriation of $25 million for training of displaced workers is therefore woefully inadequate, and the matching requirements are particularly misplaced since states hardest hit by the recession would be in the most difficult position to participate in the program.

4. Some experimental efforts should be tried. The components listed thus far have been proven effective as means of combating unemployment and in helping those forced into idleness. Congress would do well to experiment with new approaches.

a. Congress could undertake some measures that would encourage work sharing, using unemployment insurance funds to finance the program. Work sharing plans have been operated successfully during periods of recession in European countries, and might be adopted for our own purposes. Three states, including California, have laws on their books authorizing work sharing.

b. Incentives that might induce private sector hiring of unemployed workers at a more rapid pace should also be tried. Idle workers who have used up their regular unemployment insurance might be given a voucher in lieu of supplementary benefits which they could offer to prospective employers to be used for tax credit. A careful monitoring system would have to be designed to prevent abuses of such a program.

c. A vital part of experimental programs is research and evaluations. At one time the Labor Department had a first rate research, development and evaluation program. But in recent years the knowledge development effort has failed to capitalize on past investment and been generally neglected.

5. Pay scales should be moderate. The charge of excessive pay scales cannot be ignored. One possible approach is to impose a ceiling upon the federal contribution for any job—say $10,000 per year—leaving the hiring agency to pay the balance of the individual's salary. Other options would be to institute work sharing arrangements for higher paying jobs or to set a limit on weekly pay and adjust the number of working hours based on the hourly rate.

C. Administration: If Congress is to make significant appropriations for job creation and training, it should not ignore the administrative problems associated with such a major undertaking. It is highly doubtful whether the Employment and Training Administration in the Department of Labor as presently constituted is in a position to undertake such a major effort and to carry it out expeditiously. The Congress might do well to exercise its oversight responsibilities with a view to generating the needed correctional steps which would improve the management capability of the agency.

D. The cost of doing less: If the alternative to job creation were a speedy recovery and a balanced federal budget, a case could be made for staying the course laid out by the president. But the alternative the president is championing undercuts efforts for a significant reduction in unemployment and labor market related hardship.

The proposed package of accelerated public works and emergency relief measures, which nominally carries a $4.3 billion price tag (boosted by the House Appropriations Subcommittee to $4.6 billion), would rely heavily on budgetary transfers and involve relatively small additional outlays. It would speed up employment gains in the construction trades victimized by monetary policies but offer few jobs for women and the most needy. This limited initiative is a low-cost gesture that ignores the broader unemployment problem. The appraisal by Chairman Augustus Hawkins was apt—it is not "a jobs bill." If Congress follows the course suggested it is more likely to result in a prescription for a prolonged recession and deteriorating economic conditions for millions of the unemployed and their families.

Economic hardship will remain very high even if unemployment "falls" to, say, 9.5 percent. Macroeconomic policy alone can reduce unemployment levels but not resolve deep seated labor market pathologies without rekindling inflation—it won't trickle down. Transfer payments can't do it. For millions of people in our labor force work and welfare must go together. We need a policy that combines sound fiscal, monetary and income transfer policies with training and job creation efforts.

Mr. **Hawkins**. We will next hear from Dr. Robert Taggart. Thank you, Bob, it is nice to welcome you before the committee.

STATEMENT OF ROBERT TAGGART, PRESIDENT, REMEDIATION AND TRAINING INSTITUTE

Mr. TAGGART. It is telling that in Dr. Levitan's thoughtful comments, the word "utilize" was never mentioned.

When the Reagan administration entered office, it argued for the exclusive targeting of Federal manpower programs on poor youth and welfare recipients, with workfare, that is, job creation, substituting for welfare. Quickly, emphasis shifted to the most employable among the jobless.

The Job Training Partnership Act reduced the share of the pie for youth and restricted the allowances necessary for the poor to participate in training. Welfare rules were changed reducing work incentives and training possibilities. The major focus became the displaced worker, adult male breadwinner, and unemployment insurance exhaustee, that is, those with previously long work experience qualifying them for long-term benefits.

Is there justification for this rather dramatic shift in priorities? An argument can and has been made on the basis of the unemployment data. Males age 25 and over, who accounted for only a fourth of the unemployed in 1979, represented nearly half of the recessionary increment in unemployment between 1979 and 1982.

Conversely, younger workers, who represented half of the unemployed in relatively good times, accounted for only a third of the jobless increment. Adults, and adult males in particular, deserve greater priority.

This logic is flawed because the unemployment figures disguise the real problem, stacking the cards against youth. In recessions, youth give up and leave the labor force, so they are no longer counted as unemployed even though they want and would take jobs.

A more accurate indicator of labor market realities is the employment rate. In 1979, 58 percent of the population age 14 and over was employed. The employment rate has been rising secularly and cyclically, and was projected by the Bureau of Labor Statistics to continue upwards, particularly for youth and women.

But by 1982, the employment rate had dropped to 56 percent, representing a decline in employment of 3.6 million jobs. If 14 to 19-year olds had maintained their 1979 employment/population rate, 1.1 million more would have been employed in 1982. If 20 to 24-year olds were as able to get jobs, 1 million more would have been employed. Youth thus represented three of every five job losers, even though they accounted for only a third of the increment in measured unemployment.

And these numbers do not tell the whole story. The number of workers employed part-time because of the lack of full-time work increased from 3.6 to 6.2 percent of all jobholders age 16 and over, but from 6.2 to 10.5 percent of jobholders age 24 and under. There was a shocking drop in full-time employment opportunities.

In 1979, 15.1 million youth age 16 through 24 were employed full time. This number declined by 15 percent to 12.8 million in 1982. In other words, the current generation of out-of-school youth who are ready to start their careers are out of luck.

The traditional subemployment indicator encompasses these varying developments. Among adults in the labor force or wanting a job but not looking, the chances of being unemployed, employed part-time involuntarily, or wanting a job currently but not having one, increased from 10 per hundred in 1979 to 16 per hundred in 1982. The increments in subemployment for youth were nearly twice as great:

Subemployment rate for adults 25 and over for 1979, 10.1 percent; for 1982, 15.8 percent; for 1982-1979, 5.8 percent.

Subemployment rate for young adults, age 20-24 for 1979, 18.1 percent; for 1982, 28.6 and for 1982-1979, 10.5 percent.

Subemployment rate for teenagers, 16-19 for 1979, 32.9 percent; for 1982, 44.8 percent; for 1982-1979, 11.9 percent.

Subemployment rate for nonwhite young adults for 1979, 33.3 percent; for 1982, 46 percent; for 1982-1979, 12.7 percent.

Subemployment rate for nonwhite teenagers for 1979, 58.2 percent; for 1982, 72.6 percent; 1982-79, 14.4 percent.

It is a depression, not a recession, for poverty-area residents and minority youth. Without minimizing the problems of industrial towns brought to their knees by plant closings, it is important to recognize the continuing concentration of our Nation's employment problems.

In 1979 poverty areas had an unemployment rate half again that prevailing in nonpoverty areas. Yet over the next 3 years, this differential widened as unemployment rose more in poverty than nonpoverty areas:

Unemployment rates in poverty areas for 1979, 8.1 percent; for 1982, 13.2 percent; change is 5.1 percent. Unemployment rates in nonpoverty areas for 1979 were 5.4 percent; for 1982, 9.1 percent; change 3.7 percent. The differential in the unemployment rate for 1979 is 2.7 percent, for 1982 3.1 percent and the change is 1.4 percent.

Poverty areas accounted for one-seventh of employment in 1979, but one-fourth of the 1979-82 job loss, as estimated by changes in the employment/population ratios. Within poverty areas, blacks accounted for one-fourth of 1979 employment, but one-half of job losers. Nationwide, subemployment among minority youth increased alarmingly. Nearly half of nonwhite young adults, and three-fourths of nonwhite teenagers were subemployed in 1982.

As to the record of jobs programs, the national employment policy of the 1980's can only be characterized as malevolent. As employment declined in the private sector, the Government increased the pain and suffering by largely eliminating federally funded jobs in the public and nonprofit sectors. The victims were those most in need—the minority and poor youth.

In fiscal 1979, CETA programs provided nearly half a million person years of employment for 14- through 21-year-olds. Nonwhite youth filled almost half of the subsidized jobs. Indeed, over two-fifths of 14- to 19-year-old black youth who worked during 1979, and almost a fourth of Hispanic youth with jobs, were employed in a CETA program.

By 1982, the person years of subsidized youth employment had declined by three-fifths. Comparing enrollment levels in job programs with job losses estimated on the basis of declining employment/population ratios, the cutbacks in federally funded jobs accounted for one seventh of the job loss for all 14- to 19-year-olds between 1979 and 1982 and over half of the job loss for nonwhite teens.

Congress and the administration cannot stand by and deplore the current situation without recognizing that they are to blame for pursuing a contracyclical, rather than a countercyclical, policy. It is a disgrace that we are arguing whether the Government can help solve the youth employment problem through jobs programs, when to a large extent it caused the crisis by cutbacks in the selfsame programs.

The promise that these "economies" would stimulate "real" private sector jobs for poor and minority youth were ridiculous. If the youth employment/populations ratios rose over the next 3 years at the 1976-1979 pace—a period when national employment grew more rapidly than ever before—the nonwhite youth employment rate in 1985 would remain below the recession levels of 1976, while the rate for all teenagers would remain well below that which many considered a national disgrace in 1979.

Few forecasters in or out of Government expect such healthy employment growth. Moreover, at least two-fifths of the 1976-79 job gain for nonwhite 14- to 19-year-olds was directly the result of the expansion of Government jobs programs. Without at least the same effort, the prospects look bleak for the current cohort of labor force entrants, who will be adults before the economy offers any substantial net growth of career opportunities.

The record of the last 3 years stands in stark contrast to the response to the 1975-76 recession. Between fiscal 1976 and fiscal 1979, the economic stimulus program added; 60,000 community service jobs for participants under age 22, mostly 19 and over and mostly from low-income families, under the public service employment program; 115,000 neighborhood revitalization jobs for 16- to 19-year-olds, mostly dropouts, under youth community conservation and improvement projects; 20,000 part-time school year and full-time summer jobs for poor and overwhelmingly minority youth age 16-19 who were in school or returned to school under the youth incentive entitlement pilot projects mounted as an experiment in intensive job creation in 17 areas of the country; 250,000 additional summer youth employment opportunities for poor students, mostly age 14 through 17; 150,000 inschool work and training opportunities under the youth employment and training programs; 15,000 jobs in the Young Adult Conservation Corps for a mix of all youth, mostly 19 and over, nonminority and nonpoor; 20,000 additional slots in the residential Job Corps program providing intensive and comprehensive services to the most disadvantaged dropout youth.

These initiatives in the late 1970's were mounted as experimental and demonstration programs in order to learn about what worked and what did not. The experience, documented by extensive research and evaluation, yielded some important lessons which have been largely ignored to date, but which could certainly improve the effectiveness of our Nation's youth policies for the 1980's.

Lesson 1, the feasibility of youth jobs programs: For those who argue that it is no use passing emergency jobs legislation because timely implementation is not possible, the record speaks for itself.

The Youth Employment and Demonstration Projects Act was signed in August 1977. By the next summer, there were 250,000 more summer enrollees as well as nearly 200,000 youth in the newly implemented programs. Within 18 months Job Corps had expanded by half.

There was an undeniable loss of efficiency from such hasty implementation, but the startup problems proved correctable. The rapidly expanded fiscal 1978 summer program was justifiably criticized for deficient supervision, overcrowded worksites, and limited monitoring.

Over the next 2 years, however, intensive site reviews by Federal officials, and federally required monitoring by local administrators, led to a documented improvement in the quality of the program. Inadequate worksites, as judged by the General Accounting Office, declined from one-fourth to one-eighth of the total.

School-to-work transition programs launched under YETP had average enrollments which were less than three-fifths of peak enrollments in their first school year of operation; the ratio of average to peak enrollment increased to 85 percent in the second school year of operation.

The person-year operating costs of Job Corps, and Young Adult Conservation Corps centers were more than a third higher in the first year buildup period. By the second year, however, the new centers were operating at the same costs and with the same performance levels as the long-established centers. A more measured phaseup of the youth initiatives would have reduced these startup costs, but it is clearly possible to move rapidly and then correct problems subsequently.

One of the largest social experiments in our Nation's history—Youth Incentive Entitlement Pilots projects—tested the limits of youth jobs initiatives. In 17 areas of the country, fully subsidized jobs in the public or private sector were guaranteed for all poor youth in school or returning to school.

Meeting this guarantee called for a five-fold expansion of youth job creation in the target areas. Yet in almost all of the sites, enough jobs were created within a year of project startup to fulfill the guarantee for eligible youth.

A General Acounting Office study of worksites revealed that the subsidized jobs were generally as meaningful and well supervised as those in other areas. Entitlement showed that it was certainly feasible to expand youth jobs programs far beyond the relatively high levels supported under CETA in the late 1970's.

Lesson 2, The benefits of a balanced portfolio: The late 1970's youth initiatives were balanced in terms of target groups, target areas and treatment approaches. The Youth Employment and Demonstration Projects Act of 1977 (YEDPA) was an umbrella which encompassed most congressional notions and expert recommendations about what should be done for whom.

In determining the allocation of resources among titles and sections and the different allocation formulae and eligibility rules for each, Congress had to weigh all interests and relative needs. The Young Adult Conservation Corps (YACC), designed for a mix of all youth and concentrated in the primarily rural areas where there were Federal lands, was balanced by Youth Community Conservation Improvement projects, focused on neighborhoods and serving mostly 16- to 19-year-old dropouts.

Under Youth Employment and Training programs, funds were allocated by a needs-based formula to all areas for inschool jobs for the disadvantaged but also for less costly transition services for the nondisadvantaged. YETP was balanced by the entitlement program, concentrated in just a few areas and serving only poor and overwhelmingly minority youth.

There were also very significant set-asides, which the Secretary of Labor targeted to areas of greatest need. YEDPA was initiated in the context of already announced expansions of the summer program, Public Service Employment and the Job Corps, that is, programs providing, respectively, short-term work for 14- to 16-year-olds, more meaningful jobs for mostly 19- to 21-year-olds, and comprehensive education, training, and work for the "hardest of the hard core."

This "hodgepodge" of youth initiatives was difficult to understand and explain but proved a remarkably sturdy mix. For instance, when the Carter administration's Office of Management and Budget eliminated the YACC program after a few years because it was considered too costly and not targeted enough, support for the proposed Youth Act of 1980 suffered because it then promised little for the sons and daughters of the middle class.

On the other hand, the elimination of the entitlement program by OMB, because it was too targeted and was considered too costly to expand to all areas, eliminated the most tangible exemplars of what could be accomplished in poverty areas, reducing the strong support from the entitlement sites and their representatives.

Institutional, as well as political, balance was achieved by the 1970's youth jobs initiatives. There were, for instance, school set-asides for YETP which provided resources and incentives for cooperation without giving the schools total control. Discretionary funds for examplary programs were used as another carrot.

Some institutional change was thereby achieved in linking work and education. Under YACC, the Departments of Labor, Agriculture, and Interior, as well as the States, shared decisionmaking authority. Job Corps was federally-directed but utilized private for-profit management agents to operate most of the new centers.

A nonprofit intermediary, the Manpower Demonstration Research Corp., was used effectively to oversee the entitlement program, while community-based organizations and other intermediaries were used to manage clusters of demonstration projects nationwide with the aim of establishing them as permanent replication and technical assistance agents.

Local and State governments had primary responsibilities for the formula-funded YEDPA initiatives and the summer program, but the Federal monitoring and plan approval role was strengthened, and discretionary resources were used as incentives to try to influence State and local decision, for instance, in assuring "special consideration" to neighborhood and community-based groups.

Without arguing that the 1970's approaches were the best in every way, it is important to recognize the value of having a diversity of approaches and administrative arrangements and of making comprehensive legislative, budgetary and administrative decisions.

This will not be achieved by the incremental passage of one program after another nor will it be achieved unless youth employment is singled out and addressed as a separate and identifiable set of initiatives.

Lesson 3, pay and allowances in youth jobs programs: Wage levels were an issue in the 1970's initiatives, as they have been since the New Deal youth programs. Should 14-, 15-, or 16-year-olds with no skills or work experience receive the minimum wage for summer or inschool jobs when the majority of young teenagers in unsubsidized employment earn less than the minimum, when the unemployed parents of participants might be more than willing to accept minimum wage jobs, when unrealistic wages reduce public support as well as the number who can be served in public programs?

Under CETA, the decision was made to pay at least the minimum wage for all hours of work. This led to the charge that youth jobs programs were primarily income transfers and that society was not getting its money's worth. Indeed, studies of the value of output of youth jobs programs usually priced the products at $.70 or less for each dollar invested—a not surprising finding since the disadvantaged youth participants had limited skills and experience. Wage level policies for jobs programs were not resolved on the merits of the case but rather became a pawn in the broader debate over the wisdom of a youth minimum wage differential.

Putting aside the ideological arguments surrounding the dual minimum wage issue, the experience with 1970's youth programs suggests a straightforward solution to the wage problem. It makes sense to pay, as the Fair Labor Standards Act already authorizes, a student learner's differential to youth with little or no previous work experience.

Likewise, work can be combined with mandatory and unstipended participation in remedial and preparatory activities, reducing compensation per hour of participation without challenging the Fair Labor Standards Act. Local areas can best determine the mix of work and training, so that the compensation per hour of participation reflects local conditions.

Allowances are another problem. CETA paid a minimum wage allowance, many times stipending poor youth for participation in regular activities alongside unstipended youth. In some cases this attracted participants wanting the allowance, not the learning opportunity. There was no incentive for competition because this meant a loss of the allowance that usually averaged more than postprogram earnings.

The Job Training Partnership Act responded by drastically reducing allowance possibilities, which will certainly constrict the ability of many youth from low income families to participate in the long-term remediation they usually require.

Some way is needed to cover real participation costs such as transportation to assure a poverty level subsistence by "topping off" another cash and inkind income and to provide incentives for completion and accomplishment. Mixing work with training, so that wages cover immediate cash needs, can help to sustain disadvantaged participants. If this is done, however, it is important that incentives be utilized to encourage performance, rather than merely "clock punching," in the required remediation activities.

Lesson 4, jobs programs should emphasize human resources development: Subsidized employment per se is a temporary expedient with little long-term payoff.

First jobs help those with no previous experience get an early start on the process of labor market entry. Subsidized jobs providing a tryout and training for permanent jobs in the public sector have long-term payoffs for participants.

But work alone has little impact on postprogram labor market success. One cannot and should not expect any significant changes to result from a 200-hour summer employment experience, or 400 hours of school-year part-time employment, or even a full-time job for 6 months a year which is not linked to a permanent employment ladder.

Most evidence suggests that the postprogram earnings and employment impacts of youth and adult employment programs are directly related to the intensity of their education and training components. Most of the poor youth who need jobs also have serious skills deficits.

For instance, the average reading level of entrants in YEDPA programs was below the eighth grade level, and for Job Corps participants it is below the sixth grade level. Obviously, this severely limits employability no matter what occurs at the worksite.

Linkages can and should be forged between work and remediation. Jobs can be used to keep young people in school. The entitlement program, which conditioned the job guarantee on school attendance, reduced dropout rates and increased school return rates. Other programs combining half-day remedial education or employability development with half-day work for out-of-school youth or in summer programs increased retention in the remedial activities.

In Jobs Corps, structured work activities provide a way to apply vocational skills and balance to classroom activities. Work programs have been structured which integrate vocational skills training and applied academic learning with work activities. All these approaches yield postprogram employment and earnings gains which are not achieved by work programs alone.

Even when education and training are combined with work, as they should be, there are obvious limits. For instance, if 100 hours are set aside for remedial education in a 250-hour summer program, even the best instruction will average only a grade or two gain in reading or in mathematics in this time. This increment may be significant for someone with seventh-grade skills, but further progress is needed to assure employability.

Jobs programs should, therefore, be used as a mechanism for screening disadvantaged youth, providing them an opportunity to demonstrate the capacity and commitment to take advantage of more intensive remediation and training. The chance to qualify for meaningful training will give an added incentive beyond money alone to perform the work assignments. It means the subsidized jobs will not be dead ends, no matter how menial the work.

Yet a related lesson is that where decisionmakers at the State, local or delivery levels have a choice between work and remediation activities, employment tends to receive disproportionate emphasis because jobs are easier to mount than training, and because delivery agents are judged by whether they meet body counts in putting people to work, not by whether they help people acquire skills.

Congress realized in its 1978 amendments to CETA that the public service employment program was not meeting the long-term needs of the disadvantaged and mandated an increasing percentage of funds be spent on remediation activities supplementing work. But this requirement came too late as PSE was being reduced. Delivery agents were slow to respond, in many cases because they did not have the capacity or understanding.

As an example, under the supported work experiment for dropout youth, education components were required after early evidence that work alone was not enhancing postprogram earnings. Some of the best delivery agents in the country who had been selected to operate supported work projects struggled, and frequently failed, to mount education components. The lesson is that the remediation components must not only be required, but help is needed to build delivery capacity at the local level.

It is a significant fact that Job Corps provided training and remedial education to more poor dropouts than all the rest of CETA programs, despite its much smaller budget. Only the Federal Government is apparently willing or able to make the intensive investment needed to really help those with the most severe problems.

Jobs Corps makes capital investments in facilities and materials. It uses and standardizes the best available instructional techniques. It requires these as part of its comprehensive services. Such investments and structuring will be needed if local programs are to more effectively combine work and education.

While coordination is needed so that work and remediation services are combined, it makes sense to administratively insulate the remediation and job program delivery systems. A lesson should have been learned from CETA that the ups and downs of public opinion regarding job creation will spill over into perceptions of training effectiveness.

Although most evidence suggested that CETA classroom and on-the-job training components were worthwhile, all of CETA was condemned when Public Service Employment was cut back. Training activities suffer when they get locked into the erratic funding gyrations inherent in job creation programs.

Lesson 6, the need for standards and standardization: The achilles heel of youth programs has always been management. Almost all the different intervention models carefully tested under YEDPA yielded average outcomes in expected directions, usually on proportion to the intensity and cost of the intervention.

One approach might be judged a little better than another, but the differences were marginal. However, performance varied enormously among projects of each type. Process evaluations revealed operating procedures, curricula, and activities in many projects which were totally inadequate, violating commonsense and ignoring the examples of effective projects.

The key to improving overall performance is not in finding an optimal treatment design, but rather in assuring at least minimal performance by all delivery agents in providing the basic service components in whatever service mix is adopted. The "building blocks" of youth programs can only be achieved by better specification of standards, program content and procedures, as well as through technical assistance combined with monitoring.

The best available curricula and materials for employability development and remedial education need to be identified, packaged and widely distributed. This is particularly true when we begin to use microcomputers in instruction and management, since there are economies to be realized in large-scale purchases, since it is so expensive to screen and develop software and since most delivery agents are neophytes in computer use. Where "kits" of manuals, materials and software are available, better delivery agents can modify those core programs, but the less effective ones will at least have a reasonably effective foundation.

Standardization, mass-production and quality control have been the keys to efficiency in the private sector but we ignore this most important ingredient in public sector programs. We have generated a myth that each low-paid local delivery agent has the ability and the wherewithal to examine practice elsewhere, to screen thousands of available materials, to secure these materials at a low cost and to know and avoid the correctable problems encountered by other delivery agents using the same approaches.

We have supported this myth by identifying and crediting the model programs and projects which have emerged from the best of local delivery agents, while ignoring the existence of hundreds of other sloppy projects with ineffective design and approach which have resulted by undirected local initiative. The summer program only improved when worksite agreements and monitoring procedures were standardized and monitoring procedures enforced from the Federal level.

The Job Corps is perhaps our most effectively managed youth program. It sets detailed standards for core components, invests in large-scale purchases of key materials and equipment, but lets private for-profit and nonprofit agents actually manage centers on a performance basis wtihin Federal guidelines and subject to Federal monitoring. This management approach should be made more broadly utilized in any youth jobs programs.

A Youth Job Strategy for the 1980s: Applying these lessons, a balanced portfolio of youth job creation measures would contain the following elements which would target on different dimensions of the youth employment problem, would spread the administrative burden among different delivery systems, would integrate with the Job Training Partnership Act, yet would place most of the job creation responsibilities in other quarters, and would maximize the human resource investment elements of work programs.

One, Job Corps Career Investment and High Technology Centers: Job Corps works. It serves the most disadvantaged youth, including those from rural poverty areas who cannot be easily reached by local job creation schemes. The program combines work with education and training in a balanced mix. Residential centers are operated by private for-profit and nonprofit contractors, as well as Federal land agencies, under detailed Federal guidelines.

Both nonresidential and residential centers are authorized under JTPA. The longstanding residential program could feasibly be expanded by 20,000 slots over 2 years. This would include a 25 percent expansion of existing centers, the opening up of up to 20 conservation centers, and the introduction of up to 10 technology investment centers with a capacity of 500-750 participants.

The high tech centers would focus on robotics, health technician training, computer operations and other occupations judged to have the most promising career potential. They would provide multi-year training, combined with internships in the private sector, following models already used to train computer customer engineers in Job Corps. The best performing disadvantaged students in residential and nonresidential Job Corps programs would be carefully selected for these advanced work/training opportunities.

There could be a much larger expansion of nonresidential programs based on Job Corps models. Job Corps has developed and tested open/entry and open/exit, individualized, self-paced instructional programs covering K-12 academic subjects, college prep, pre-military training, and world-of-work plus life skills domains. It has integrated audiovisual and paper and pencil materials with computer delivered and managed lessons.

These advanced learning systems are highly effective with all youth and can be used as primary activities or supplements to work programs. The front-end investments in equipment and materials which are possible through Job Corps can yield substantial payoffs in instructional effectiveness.

The existing Job Corps legislation might, therefore, be used to establish and operate a national network of nonresidential career investment centers in areas of need throughout the country. The investment centers would be managed by private for-profit, nonprofit or public institutions selected on a competitive basis. They would operate under clear Federal specifications and reporting guidelines.

The investment centers might be sited in schools, community-based organizations, Federal or State-owned properties, with site selection following the consultative procedures already mandated for Job Corps centers.

Youth employed under jobs programs could be used to rehabilitate and help to operate these centers. The centers would also be staffed and equipped to maintain local satellite operations providing remedial instruction at worksites and in homes using less elaborate equipment and materials. The centers could coordinate youth tutoring youth programs, volunteer tutorial programs and the like.

Nonresidential participants in these career investment centers would receive the small Job Corps maintenance allowance, which includes incentives for performance and length of stay. Paralleling the Job Corps readjustment allowance, they would accrue credits in a career investment fund that could be used, like the GI bill, for further education and training. The current system for tracking and paying these benefits, which utilizes the Army Finance Center, could easily be adapted to maintain individual accounts in the fund and to track usage.

All youth jobs legislation should require unstipened participation in remedial or supplemental education and employability development. This component would be provided by the career investment centers and their satellite operations. This network of centers would operate separately from, but in coordination with, local employment and training initiatives under the Job Training Partnership Act.

JTPA funds could be used to purchase extra remediation opportunities from investment centers, just as JTPA funds can be used to purchase extra slots in the residential Job Corps program. There would be an incentive to do so, in order to qualify participants for the Investment Fund and to take advantage of the high quality equipment, materials and staff maintained at the investment centers.

These local investment centers would also serve as intake and processing sites for the residential Job Corps program in order to assure that limited residential opportunities were not filled by youth who could be better served in local communities.

As many as a thousand of these centers could be established within a 2-year period, providing remediation opportunities to several hundred thousand disadvantaged youth annually, including all participants in youth jobs programs.

Two, Public Service Career Intern Program: State and local governments would be provided funding for the wages and administration of 2-year internships for JTPA-referred, out-of-school youth at age 19-21. A career investment plan would be prepared for each participant and internship assignment, detailing the education and training activities which would occupy at least a third of the internship.

This training and education component would be supported by JTPA resources. The State and local government would pledge to hire each completer in a permanent public sector job at the end of the 2-year assignment. JTPA would provide for a "try-out" employment period before the beginning of the internship in order to allow the State or local government unit a chance to determine the potential of the referrals to fill the career requirements. At least 50,000 internship opportunities could be created in this way.

Three, Community Improvement Ventures: The ventures in community improvement demonstration under YEDPA documented the feasibility and effectiveness of large-scale work/training projects, 60-100 participants, undertaking restoration, renovation and other tangible community improvements, with extensive skills training structured as part of the work, with a high supervisor/participant ratio, utilizing skilled craftsmen as supervisors and drawing on local resources for materials and equipment.

The projects, sited in poverty areas, would be selected by a national competition with incremental implementation on the basis of rankings in the competition and on the availability of funds. As was the case under the YEDPA-funded demonstration, a national nonprofit intermediary, with business and labor representation, would provide technical assistance and monitoring to the selected sites in order to assure quality and consistency with the model.

The projects could be operated by local governmental agencies, nonprofit groups, or even for-profit contractors. The participants for these projects would be referred from JTPA, with education components delivered by the Career Investment Centers. It would probably be feasible to mount 50 additional projects each year.

Four, Entitlement Projects: The youth incentive entitlement pilot projects model was an operational success. It helped reduce dropout rates and to promote school return. It increased private sector employment opportunities for poor youth by fully subsidizing private employers. It emphasized and supported alternative education approaches combined with work.

The sites for this intensive job guarantee experiment were selected by a structured competition. This could be repeated, limiting the competition to all poverty areas, incrementing additional sites each year as funding became available.

Under YEDPA, a nonprofit intermediary, with a balanced board of directors representative of all segments of business, labor and academia, was used with extraordinary success, as documented by the General Accounting Office, in monitoring and assisting Entitlement projects administered by local governments. Using this approach again, it would be entirely feasible to add 25,000 employment opportunities each year. The legislative specifications currently in CETA could be used as the prototype for authorizing language.

Five, Youth Community Service: Community and neighborhood-based groups could be used to mount local employment projects for out-of-school youth under age 22. The jobs would pay the minimum wage for work hours, or the learner's differential where the participant had no previous work experience, but would require unstipened participation in the open-entry, open-exit individualized, self-paced and computer-based instructional programs delivered through the career investment centers.

For all hours of participation in remediation activities, the career investment fund would be credited toward a GI bill to be used later to support individually-selected education or training. Subsidized jobs would be targeted for youth from low-income families.

However, other youth could volunteer their services and could accumulate credits in their own career investment fund accounts. Local governments would monitor the projects, which would be selected by neighborhood committees or ad hoc groups appointed by the chief elected officials. Standardized Federal monitoring and output evaluation procedures would be used to maintain the quality of these projects. Without question, 50,000 year-round service opportunities could be created in this way.

Six, Expanded Summer Programs: It is feasible to expand the summer program to 1 million employment opportunities. In doing so, however, it makes sense to pay the student/learner's differential for those participants with limited previous work experience.

It would also make sense to require participation in unstipend preparatory and remedial instruction activities. Again, for those hours of unstipend participation, credits would be accumulated in the Career Investment Fund. Youth not eligible on the basis of income could work on a volunteer basis on summer projects and could participate in learning activities which would also credit to their individual accounts in the investment fund.

Seven, Conservation Corps: There is real and productive work to be done in the Nation's parks and lands, and many youth, particularly the better educated from more affluent families, are enthusiastic about these types of experiences. The problem is that Federal lands are not near the concentrations of youth most in need, and poor youth tend to prefer neighborhood-based employment.

Moreover, conservation work alone offers little opportunity to improve competencies or acquire transferrable skills. Under YACC, the Department of Labor set targets for minority and poor youth participation, and emphasized nonresidential programs sited near poverty areas; but these measures had only limited success in achieving a reasonable balance in the program.

A better approach would be to set aside a third of any funds to establish and expand Job Corps conservation centers, which are entirely consistent with the thrust of the conservation proposals. These funds would simply be shifted to the Department of Labor to be passed through to the Departments of Agriculture and Interior as is done in support of the current Job Corps conservation centers.

At the same time, in the regular nontargeted conservation program, both the Federal and State components, unstipend participation in career investment activities could also be required. There is no reason why investment centers could not be established in the regular conservation centers, operating as satellites of, or jointly with, Job Corps instructional programs. The type of youth likely to participate in conservation programs might be very amenable to the notion of accruing credits in the career investment fund.

In order to assure the appropriate mix of these various youth jobs initiatives, the range of options must be considered in totality. The fundamental problem is that youth jobs proposals are being considered incrementally, as add-ons to broader job legislation.

Within the spectrum of possible youth activities, the measures which have the strongest political support are the least efficient and equitable. Most experts who have reviewed the research on youth programs and youth employment problems would probably agree with the general order of initiatives as outlined above. Job Corps is clearly the most effective and targeted work/training program.

At the other extreme, conservation camps cost as much or more than Job Corps, yet do not provide any human resource development nor help those with severe employment problems. A public service career intern approach can and has worked in accessing real jobs in the public sector, but the approach has been tarred by the alleged problems of adult public service employment programs. Summer jobs have modest postprogram effects, but they are easy to expand and always justifiable as a firefighting strategy.

In contrast, measures such as entitlement or the proposed community-improvement ventures, have conceptual appeal but a payoff only for the subset of selected poverty areas.

Rather than working backward through the list of alternatives as we have been doing this legislative season, implementing the least effective and least targeted but most popular measures first, we need to better balance political expedience with equity and efficiency considerations by agreeing, first, on the aggregate target expenditure for youth jobs, say $2 billion, then allocating this amount in a rational way across the various interventions, and then working toward that goal by spreading any incremental funds which become available across a balanced portfolio of approaches.

The portfolio outlined above allows for this incremental expansion of all fronts. In fact, it makes a good deal of sense to proceed in this fashion.

The proposed youth jobs programs all have education and training components built in from the outset. Indeed, the jobs initiative would go hand in hand with the expansion and improvement of our Nation's preparatory and remedial systems using the best and most up-to-date systems of computer-based instruction. Everyone recognizes that it is critical not just to employ our youth today, but to provide them with the basic skills that will be needed to master the jobs of the future when the economy recovers.

The proposed initiatives do not overburden the new Job Training Partnership Act delivery system. JTPA will prepare youth for as well as refer them to jobs. JTPA may finance some of the remediation and training elements. But essentially this system can continue on its measured implementation schedule.

If the jobs programs do not work, are no longer needed because of recovery, or lose favor, the national training system will not suffer. Indeed, it will be enhanced by the establishment of a national network of career investment centers, and the establishment of a range of high-tech, advanced-career training centers in Job Corps. These will certainly be needed over the long term.

In order to further assure the integrity and independence of the training system, jobs activities might be administered at the Federal level by a Youth Employment Commission, with rotating, Presidentially appointed membership representative of business, labor, education, community groups, and youth.

This Commission would distribute and track youth jobs funds. It would establish competitive procedures for selecting sites for entitlement and community improvement ventures. It would set the guidelines for all youth jobs components, including the summer program and conservation work. It would detail procedures for worksite agreements and monitoring, remediation, and training requirements related to work evaluation and reporting.

The Youth Employment Commission would contract for independent monitoring of all worksites. It would report to Congress annually on employment levels, related remediation activities, output and skill attainment, direct and estimated indirect employment effects, and recommended priorities for youth jobs measures. JTPA and the new career investment centers would continue to be operated by the Department of Labor, which has neither the interest nor capacity to direct measures.

The employment situation of youth is serious and will remain so in the foreseeable future. We need, and have demonstrated the capacity to mount large-scale youth jobs initiatives which will reduce the job deficit, substantially for minority and poor youth.

However, if we continue to legislate bits and pieces of the youth employment agenda, settling for the most politically popular approaches whenever there is a chance for action, implementing band-aid measures in a crisis atmosphere, we will repeat the familiar cycle of our Nation's employment policies, confirming the judgment of the gainsayers who argue that jobs programs are inherently wasteful and ineffective.

Waste and ineffectiveness are avoidable, not inherent. By combining work with remediation and training, we can increase the long-term payoff of jobs programs. By diversifying the types of interventions, the target groups, and the delivery systems, and by incrementing budgets across a balanced portfolio of initiatives, we can avoid the problems of the past.

[The prepared statement of Robert Taggart follows:]

PREPARED STATEMENT OF ROBERT TAGGART, PRESIDENT, REMEDIATION AND TRAINING INSTITUTE

THE VICIOUS CYCLE OF NATIONAL EMPLOYMENT POLICY

There is little equity, efficiency or common sense in our nation's employment policies. We may be approaching the nadir of equitability, effectiveness and sensibility, but the mistakes we are making today are nothing new. Instead of learning from the experience of previous jobs initiatives, we repeat the same policy and program cycle with predictable and desultary results.

The pattern should be familiar, since it has been repeated several times within our memories. In a healthy economy, labor market problems are concentrated geographically and demographically, primarily affecting the residents of poverty areas, minorities and youth. The overwhelming majority of workers are employed stably, increase their earnings each year and advance in their careers with little personal concern for unemployment or poverty. They can afford a sense of noblesse oblige. Hence, youth and poverty programs tend to receive their greatest support when economic conditions are good or improving, when the numbers in need are shrinking, and when a fiscal dividend is generated which can be allocated, in part, for the less fortunate.

As growth slows, middle-class workers and their families are pinched by shorter hours, reduced pay gains, and perhaps involuntary idleness. They may not be desperate, but prudence leads them to trim their own budgets. And as generosity becomes a burden they tend to support cutbacks in public programs addressed to long-term structural problems. This makes a bad situation worse for those at the end of the labor queue; but the taxpayers increasingly blame the victims for their problems in order to ease their own consciences. Retrenchment and public parsimony usually accompany the early stages of recession.

Unless there is recovery, however, more and more of the middle class fall into hardship, competing for a share of the benefits and assistance which have just been retrenched. These are citizens and voters who expect better, and, some feel, deserve better, because of their previously stable work histories. In response, there is increasing support for actions to get the economy moving again by marcroeconomic stimulus which will reemploy those at the front of the jobless queue, as well as for temporary palliatives such as extended or more generous unemployment insurance to help the "deserving" victims of recession hold out until recovery. It gradually becomes clear, however, that some of the laid-off workers will not find the same jobs again or soon. There is then a hue and cry for displaced worker programs which will combine retraining and relocation with extensions of unemployment assistance. But since the long-term unemployed, even if retrained, are far down the line for any recovery-generated expansion, the logic of job creation as an alternative to income maintenance becomes compelling. After much debate and delay, consensus usually emerges on jobs measures targeted to the areas, industries, and more advantaged middle-class workers who have fallen into hardship. Some crumbs must be added for the structurally disadvantaged, since their problems are, by any standard, much more severe, but the driving force is to help those at the front of the joblessness queue.

With the inherent delays in political decisionmaking, the countercyclical efforts usually get started late in the recession or early in the recovery. The types of measures which can reemploy skilled workers, such as large scale construction projects, tend to be slow off the mark, while the jobs measures for the unskilled are mounted more rapidly. As recovery proceeds, the structurally unemployed—minorities, the less educated, and youth—become a larger share of the population in need. Programs continue to be expanded for this "hard-core," backed by the residual support of the middle class who are glad to be finding regular jobs. Still justifying and designing jobs programs as "countercyclical" measures, we begin to focus them primarily on "structural" problems.

The result is inevitable. With increased targeting on the disadvantaged and minority segments of the population, and greater emphasis on poverty areas, the political support for such measures gradually erodes. There is, then, a rising chorus of complaints about idle leaf-raking in jobs programs, with criticism for the lack of meaningful training. With a healthy economy, those whose problems have been solved are ready to believe that the private sector can also provide the solutions for the disadvantaged. Private sector and training-oriented alternatives to job measures gain increasing support, jobs programs level off or decline and we are then ready for the policy cycle to begin again.

This process is not very efficient. It is axiomatic that programs designed and implemented in a rush will be less efficient, but particularly so when they are intended to employ the most advanced among the jobless. Skilled workers require capital and infrastructure to be use productively. Extensive planning and organization are needed unless existing agencies or already planned activities are supported, in which case there is a good chance that job creation resources will be substituted for other expenditures. New and special projects are difficult to customize to available skills, so skilled workers are more likely to be underemployed in jobs programs, which reduces the positive impacts of participation. Once in harness, skilled workers become vital to public and nonprofit agencies and it is difficult to cut back the programs. Patronage and political chicanery are more likely the more attractive and useful the jobs which are created and the workers who can be hired. The more skilled will be the first needed in a recovery, so retaining them in public and nonprofit jobs exacerbates bottlenecks and is more inflationary than continued public employment of the hard core, who remain "leftovers" even in good times. Most critically, skilled workers get higher pay, while the expenditures for capital and equipment necessary to employ them productively reduce the job creation per dollar of expenditure.

Neither is this policy cycle very equitable. It is those at the end of the labor queue who need jobs programs most. In recessions, employment opportunities for the disadvantaged become so limited that transition or training measures alone become almost pointless. While middle class workers may be temporarily hurt by slack labor markets, recessions are depressions for youth, minorities, and residents of rural and urban poverty areas.

Efficiency and equity considerations give way to political expediency throughout this cycle. It is the advantaged and transitionally unemployed who carry weight in the voting booth. Poverty area representatives traditionaly favor jobs measures. The votes which pass legislation come from the normally prosperous districts hard-hit by recessions. Hence, the first job measure in this recession, as in others, was a highways construction bill that will employ a few skilled construction workers, at an extraordinarily high per unit cost, financed by a regressive tax which will fall heavily on the disadvantaged. The next measure was an accelerated public construction bill, which helps primarily the same group. Youth unemployment, far worse than in the late 1970s when it was considered a national tragedy and a justification for large-scale expansion of work programs, has been addressed primarily by a conservation measure, which is the highest cost of the job creation options for youth, and will serve primarily the advantaged and better educated youth rather than the minority and poor who have the really severe problems.

Common sense, equity and efficiency would argue for exactly the opposite approach, beginning with measures which have the lowest cost per job created, which can be implemented fastest, which are targeted on areas and groups with the most severe problems likely to continue after the implementation period, and which include components addressing longer-term human resource needs of society and participants. Youth programs should be first, not last on the agenda, and among youth programs, those combining work and training for the most disadvantaged, rather than conservation experiences for the most advantaged, should receive first priority.

WHO NEEDS HELP MOST?

When the Reagan Administration entered office, it argued for the exclusive targeting of federal manpower programs on poor youth and welfare recipients, with workfare (i.e. job creation) substituting for welfare. Quickly, emphasis shifted to the most employable among the jobless. The Jobs Training Partnership Act reduced the share of the pie for youth, and restricted the allowances necessary for the poor to participate in training. Welfare rules were changed reducing work incentives and training possibilities. The major focus became the displaced worker (sic. adult male breadwinner) and unemployment insurance exhaustee (i.e. those with previously long work experience qualifying them for long-term benefits).

Is there justification for this rather dramatic shift in priorities? An argument can and has been made on the basis of the unemployment data. Males age 25 and over, who accounted for only a fourth of the unemployed in 1979, represented nearly half of the recessionary increment in unemployment between 1979 and 1982. Conversely, younger workers, who represented half of the unemployed in relatively good times, accounted for only a third of the jobless increment. Ergo, adults, and adult males in particular, deserve greater priority.

This logic is flawed because the unemployment figures disguise the real problem, stacking the cards against youth. In recessions, youth give up and leave the labor force, so they are no longer counted as unemployed even though they want and would take jobs. A more accurate indicator of labor market realities is the employment rate. In 1979, 58.0 percent of the population age 14 and over was employed. The employment rate had been rising secularly and cyclically, and was projected by the Bureau of Labor Statistics to continue upwards, particularly for youth and women, But by 1982, the employment rate had dropped to 56.0 precent, representing a decline in employment of 3.6 million jobs. If 14-to-19-year-olds had maintained their 1979 employment/population rate, 1.1 million more would have been employed in 1982. If 20-to-24-year-olds were as able to get jobs, 1.0 million more would have been employed. Youth thus represented three of every five job losers, even though they accounted for only a third of the increment in measured unemployment.

And these numbers do not tell the whole story. The number of workers employed part-time because of the lack of full-time work increased from 3.6 to 6.2 percent of all jobholders age 16 and over, but from 6.2 to 10.5 percent of jobholders age 24 and under. There was a shocking drop in full-time employment opportunities. In 1979, 15.1 million youth age 16 through 24 were employed full-time. This number declined by 15 percent to 12.8 million in 1982. In other words, the current generation of out-of-school youth who are ready to start their careers are out of luck.

The traditional subemployment indicator encompasses these varying developments. Among adults in the labor force or wanting a job but not looking, the chances of being unemployed, employed part-time involuntarily, or wanting a job currently but not having one, increased from 10 per hundred in 1979 to 16 per hundred in 1982. The increments in subemployment for youth were nearly twice as great:

	Subemployment rate (percent)		
	1979	1982	1982-79
Adults 25 and over	10.1	15.8	+5.8
Young adults 20 to 24	18.1	28.6	+10.5
Teenagers 16 to 19	32.9	44.8	+11.9
Nonwhite young adults	33.3	46.0	+12.7
Nonwhite teenagers	58.2	72.6	+14.4

It is a depression, not a recession, for poverty-area residents and minority youth. Without minimizing the problems of industrial towns brought to their knees by plant closings, it is important to recognize the continuing concentration of our nation's employment problems. In 1979, poverty areas had an unemployment rate half again that prevailing in nonpoverty areas. Yet over the next three years, this differential widened as unemployment rose more in poverty than nonpoverty areas:

	Unemployment rates (percent)		
	1979	1982	Change
Poverty areas	8.1	13.2	+5.1
Nonpoverty areas	5.4	9.1	+3.7
Differential	2.7	3.1	+1.4

Poverty areas accounted for one seventh of employment in 1979, but one fourth of the 1979-1982 job loss, as estimated by changes in the employment/population ratios. Within poverty areas, blacks accounted for one fourth of 1979 employment, but one half of job losers. Nationwide, subemployment among minority youth increased alarmingly. Nearly half of nonwhite young adults, and three fourths of nonwhite teenagers, were subemployed in 1982.

THE RECORD OF JOBS PROGRAMS

The national employment policy of the 1980's can only be characterized as malevolent. As employment declined in the private sector, the government increased the pain and suffering by largely eliminating federally-funded jobs in the public and nonprofit sectors. The victims were those most in need—minority and poor youth. In fiscal 1979, CETA programs provided nearly half a million person years of employment for 14-through 21-year-olds. Nonwhite youth filled almost half of the subsidized jobs. Indeed, over two-fifths of 14- to 19-year-old black youth who worked during 1979, and almost a fourth of Hispanic youth with jobs, were employed in a CETA program. By 1982, the person years of subsidized youth employment had declined by three-fifths. Comparing enrollment levels in job programs with job losses estimated on the basis of declining employment/population ratios, the cutbacks in federally-funded jobs accounted for a seventh of the job loss for all 14- to 19-year-olds between 1979 and 1982, and over half of the job loss for nonwhite teens. Congress and the Administration cannot stand by and deplore the current situation without recognizing that they are to blame for pursuing a contracyclical, rather than countercyclical, policy. It is a disgrace that we are arguing whether the government can help solve the youth employment problem through jobs programs, when to a large extent it caused the crisis by cutbacks in the self-same programs.

The promise that these "economies" would stimulate "real" private sector jobs for poor and minority youth were ridiculous. If the youth employment/populations ratios rose over the next three years at the 1976-1979 pace—a period when national employment grew more rapidly than ever before—the nonwhite youth employment rate in 1985 would remain below the recession levels of 1976, while the rate for all teenagers would remain well below that which many considered a national disgrace in 1979. Few forecasters in or out of government expect such healthy employment growth. Moreover, at least two-fifths of the 1976-1979 job gain for nonwhite 14- to 19-year-olds was directly the result of the expansion of government jobs programs. Without at least the same effort, the prospects look bleak for the current cohort of labor force entrants, who will be adults before the economy offers any substantial net growth of career opportunities.

The record of the last three stands in stark contrast to the response to the 1975-1976 recession. Between fiscal 1976 and fiscal 1979, the economic stimulus program added:

60,000 community service jobs for participants under age 22, mostly 19 and over and mostly from low income families, under the Public Service Employment Program.

15,000 neighborhood revitalization jobs for 16- to 19-year-olds, mostly drop-outs, under Youth Community Conservation and Improvement Projects.

20,000 part-time school year and full-time summer jobs for poor and overwhelmingly minority youth age 16-19 who were in school or returned to school under the Youth Incentive Entitlement Pilot Projects mounted as an experiment in intensive job creation in 17 areas of the country.

250,000 additional summer youth employment opportunities for poor students, mostly, age 14 through 17.

150,000 in school work and training opportunities under the Youth Employment and Training Programs.

15,000 jobs in the Young Adult Conservation Corps for a mix of all youth, mostly 19 and over, nonminority and nonpoor.

20,000 additional slots in the residential Job Corps program providing intensive and comprehensive services to the most disadvantaged dropout youth.

These initiatives in the late 1970's were mounted as experimental and demonstration programs in order to learn about what worked and what did not. The experience, documented by extensive research and evaluation, yield some important lessons which have been largely ignored to date, but which could certainly improve the effectiveness of our nation's youth policies for the 1980s:

LESSION 1. THE FEASIBILITY OF YOUTH JOBS PROGRAMS

For those who argue that it is no use passing emergency jobs legislation because timely implementation is not possible, the record speaks for itself. The Youth Employment and Demonstration Projects Act was signed in August 1977. By the next summer, there were 250,000 more summer enrollees as well as nearly 200,000 youth in the newly implemented programs. Within 18 months Job Corps had expanded by half.

There was an undeniable loss of efficiency from such hasty implementation, but the start-up problems proved correctable. The rapidly expanded fiscal 1978 summer program was justifiably criticized for deficient supervision, overcrowded worksites, and limited monitoring. Over the next two years, however, intensive site reviews by federal officials, and federally required monitoring by local administrators, led to a documented improvement in the quality of the program, with inadequate worksites (as judged by the General Accounting Office) declining from a fourth to an eighth of the total. School-to-work transition programs launched under YETP had average enrollments which were less than three-fifths of peak enrollments in their first school year of operation; the ratio of average to peak enrollment increased to eighty-five percent in the second school year of operation. The person-year operating costs of Job Corps (and Young Adult Conservation Corps) centers were more than a third higher in the first year build-up period; by the second year, however, the new centers were operating at the same costs, and with the same performance levels, as the long-established centers. A more measured phase-up of the youth initiatives would have reduced these startup costs, but it is clearly possible to move rapidly and then correct problems subsequently.

One of the largest social experiments in our nation's history—Youth Incentive Entitlement Pilots Projects—tested the limits of youth jobs initiatives. In 17 areas of the country, fully subsidized jobs in the public or private sector were guaranteed for all poor youth in school or returning to school. Meeting this guarantee called for a fivefold expansion of youth job creation in the target areas. Yet in almost all of the sites, enough jobs were created within a year of project start-up to fulfill the guarantee for eligible youth. A General Accounting Office study of worksites revealed that the subsidized jobs were generally as meaningful and well supervised as those in other areas. Entitlement showed that it was certainly feasible to expand youth jobs programs far beyond the relatively high levels supported under CETA in the late 1970's.

LESSON 2. THE BENEFITS OF A BALANCED PORTFOLIO

The late 1970's youth initiatives were balanced in terms of target groups, target areas and treatment approaches. The Youth Employment and Demonstration Projects Act of 1977 (YEDPA) was an umbrella which encompassed most Congressional notions and expert recommendations about what should be done for whom. In determining the allocation of resources among titles and sections, and the different allocation formulae and eligibility rules for each, Congress had to weigh all interests and relative needs. The Young Adult Conservation Corps (YACC), designed for a mix of all youth and concentrated in the primarily rural areas where there were federal lands, was balanced by Youth Community Conservation Improvement Projects, focused on neighborhoods and serving mostly 16- to 19-year-old dropouts. Under Youth Employment and Training Programs, funds were allocated by a needs-based formula to all areas for in-school jobs for the disadvantaged, but also for less costly transition services for the nondisadvantaged. YETP was balanced by the Entitlement program, concentrated in just a few areas and serving only poor and overwhelmingly minority youth. There were also very significant set-asides, which the Secretary of Labor targeted to areas of greatest need. YEDPA was initiated in the context of already announced expansions of the summer program, public service employment and the Job Corps, i.e. programs providing, respectively, short-term work for 14 to 16-year-olds, more meaningful jobs for mostly 19- to 21-year-olds, and comprehensive education, training and work for the "hardest of the hard core."

This "hodgepodge" of youth initiatives was difficult to understand and explain, but proved a remarkably sturdy mix. For instance, when the Carter Administration's Office of Management and Budget eliminated the YACC program after a few years because it was considered too costly and not targeted enough, support for the proposed Youth Act of 1980 suffered because it then promised little for the sons and daughters of the middle class. On the other hand, the elimination of the Entitlement Program by OMB, because it was too targeted and was considered too costly to expand to all areas, eliminated the most tangible exemplars of what could be accomplished in poverty areas, reducing the strong support from the Entitlement sites and their representatives.

Institutional, as well as political, balance was achieved by the 1970's youth jobs initiatives. There were, for instance, school set-asides under YETP which provided resources and incentives for cooperation without giving the schools total control. Discretionary funds for exemplary programs were used as another carrot. Some institutional change was thereby achieved in linking work and education. Under YACC, the Departments of Labor, Agriculture, and Interior, as well as the states, shared decisionmaking authority. Job Corps was federally-directed, but utilized private for-profit management agents to operate most of the new centers. A nonprofit intermediary, the Manpower Demonstration Research Corporation, was used effectively to oversee the entitlement program, while community-based organizations and other intermediaries were used to mange clusters of demonstration projects nationwide with the aim of establishing them as permanent replication and technical assistance agents. Local and state governments had primary responsibilities for the formula-funded YEDPA initiatives and the summer program, but the federal monitoring and plan approval role was strengthened, and discretionary resources were used as incentives to try to influence state and local decisions, for instance, in assuring "special consideration" to neighborhood and community based groups.

Without arguing that the 1970's approaches were the best in every way, it is important to recognize the value of having a diversity of approaches and administrative arrangements, and of making comprehensive legislative, budgetary and administrative decisions. This will not be achieved by the incremental passage of one program after another, nor will it be achieved unless youth employment is singled out and addressed as a separate and identifiable set of initiatives.

LESSON 3. PAY AND ALLOWANCES IN YOUTH JOBS PROGRAMS

Wage levels were an issue in the 1970 initiatives, as they have been since the New Deal youth programs. Should fourteen-, fifteen- or sixteen-year-olds with no skills or work experience receive the minimum wage for summer or in-school jobs when the majority of young teenagers in unsubsidized employment earn less than the minimum, when the unemployed parents of participants might be more than willing to accept minimum wage jobs, when unrealistic wages reduce public support as well as the number who can be served in public programs? Under CETA, the decision was made to pay at least the minimum wage for all hours of work. This led to the charge that youth jobs programs were primarily income transfers and that society was not getting its money's worth. Indeed, studies of the value of output of youth jobs programs usually priced the products at $.70 or less for each dollar invested—a not surprising finding since the disadvantaged youth participants had limited skills and experience. Wage level policies for jobs programs were not resolved on the merits of the case, but rather became a pawn in the broader debate over the wisdom of a youth minimum wage differential.

Putting aside the ideological arguments surrounding the dual minimum wage issue, the experience with 1970 youth programs suggests a straightforward solution to the wage problem. It makes sense to pay, as the Fair Labor Standards Act already authorizes, a student learner's differential to youth with little or no previous work experience. Likewise, work can be combined with mandatory and unstipended participation in remedial and preparatory activities, reducing compensation per hour of participation without challenging the Fair Labor Standards Act. Local areas can best determine the mix of work and training, so that the compensation per hour of participation reflects local conditions.

Allowances are another problem. CETA paid a minimum wage allowance, many times stipending poor youth for participation in regular activities alongside unstipended youth. In some cases, this attracted participants wanting the allowance not the learning opportunity. There was no incentive for completion, because this meant a loss of the allowance that usually averaged more than post-program earnings. The Job Training Partnership Act responded by drastically reducing allowance possibilities, which will certainly constrict the ability of many youth from low income families to participate in the long-term remediation they usually require. Some way is needed to cover real participation costs such as transportation, to assure a proverty level subsistence by "topping off" other cash and in-kind income, and to provide incentives for completion and accomplishment. Mixing work with training, so that wages cover immediate cash needs, can help to sustain disadvantaged participants. If this is done, however, it is important that incentives be utilized to encourage performance, rather than merely "clock punching," in the required remediation activities.

LESSON 4. JOBS PROGRAMS SHOULD EMPHASIZE HUMAN RESOURCE DEVELOPMENT

Subsidized employment per se is a temporary expedient with little long-term payoff. First jobs help those with no previous experience get an early start on the process of labor market entry. Subsidized jobs providing a try-out and training for permanent jobs in the public sector have long-term payoffs for participants. But work alone has little impact on post-program labor market success. One cannot and should not expect any significant changes to result from a 200 hour summer employment experience, or 400 hours of school-year part-time employment, or even from a full-time job for six months a year which is not linked to a permanent employment ladder.

Most evidence suggests that the post-program earnings and employment impacts of youth and adult employment programs are directly related to the intensity of their education and training components. Most of the poor youth who need jobs also have serious skills deficits. For instance, the average reading level of entrants in YEDPA programs was below the 8th grade level, and for Job Corps participants it is below the 6th grade level. Obviously, this severely limits employability no matter what occurs at the worksite.

Linkages can and should be forged between work and remediation. Jobs can be used to keep young people in school. The Entitlement program, which conditioned the job guarantee on school attendance, reduced dropout rates and increased school return rates. Other programs combining half-day remedial education or employability development with half-day work for out-of-school youth or in summer programs increased retention in the remedial activities. In Job Corps, structured work activities provide a way to apply vocation skills and balance to classroom activities. Work programs have been structured which integrate vocational skills training and applied academic learning with work activities. All these approaches yield post-program employment and earning gains which are not achieved by work programs alone.

Even when education and training are combined with work, as they should be, there are obvious limits. For instance, if 100 hours are set aside for remedial education in a 250 hour summer program, even the best instruction will average only a grade or two gain in reading or in mathematics in this time. This increment may be significant for someone with 7th-grade skills, but further progress is needed to assure employability. Jobs programs should, therefore, be used as a mechanism for screening disadvantaged youth, providing them an opportunity to demonstrate the capacity and commitment to take advantage of more intensive remediation and training. The chance to qualify for meaningful training will give an added incentive beyond money alone to perform in the work assignments. It means the subsidized jobs will not be dead-ends, no matter how menial the work.

Yet a related lesson is that where decisionmakers at the state, local or delivery levels have a choice between work and remediation activities, employment tends to receive disproportionate emphasis because jobs are easier to mount than training, and because delivery agents are judged by whether they meet body counts in putting people to work, not by whether they help people acquire skills. Congress realized in its 1978 amendments to CETA that the Public Service Employment program was not meeting the long-term needs of the disadvantaged, and mandated an increasing percentage of funds be spent on remediation activities supplementing work. But this requirement came too late, as PSE was being reduced. Delivery agents were slow to respond, in many cases because they did not have the capacity or understanding. As an example, under the supported work experiment for dropout youth, education components were required after early evidence that work alone was not enhancing post-program earnings. Some of the best delivery agents in the county who had been selected to operate supported work projects struggled, and frequently failed, to mount education components. The lesson is that the remediation components must not only be required, but help is needed to build delivery capacity at the local level.

It is a significant fact that Job Corps provided training and remedial education to more poor dropouts than all the rest of CETA programs, despite its much smaller budget. Only the federal government is apparently willing or able to make the intensive investment needed to really help those with the most severe problems. Job Corps makes capital investments in facilities and materials. It uses and standardizes the best available instructional techniques. It requires these as part of its comprehensive services. Such investments and structuring will be needed if local programs are to more effectively combine work and education.

While coordination is needed so that work and remediation services are combined, it makes sense to administratively insulate the remediation and job program delivery systems. A lesson should have been learned from CETA that the ups and downs of public opinion regarding job creation will spill over into perceptions of training effectiveness. Although most evidence suggested that CETA classroom and on-the-job training components were worthwhile, all of CETA was condemned when Public Service Employment was cut back. Training activities suffer when they get locked into the erratic funding gyrations inherent in job creation programs.

LESSON 6. THE NEED FOR STANDARDS AND STANDARDIZATION

The achilles heel of youth programs has always been management. Almost all the different intervention models carefully tested under YEDPA yielded average outcomes in expected directions, usually in proportion to the intensity and cost of the intervention. One approach might be judged a little better than another, but the differences were marginal. However, performance varied enormously among projects of each type. Process evaluations revealed operating procedures, curricula, and activities in many projects which were totally inadequate, violating common sense and ignoring the examples of effective projects. The key to improving overall performance is not in finding an optimal treatment design, but rather in assuring at least minimal performance by all delivery agents in providing the basic service components in whatever service mix is adopted. The "building blocks" of youth programs can only be achieved by better specification of standards, program content and procedures, as well as through technical assistance combined with monitoring. The best available curricula and materials for employability development and remedial education need to be identified, packaged and widely distributed. This is particularly true when we begin to use microcomputers in instruction and management, since there are economies to be realized in large-scale purchases, since it is so expensive to screen and develop software, and since most delivery agents are neophytes in computer use. Where "kits" of manuals, materials and software are available, better delivery agents can modify these core programs, but the less effective ones will at least have a reasonably effective foundation.

Standardization, mass-production, and quality control have been the keys to efficiency in the private sector, but we ignore this most important ingredient in public sector programs. We have generated a myth that each low paid local delivery agent has the ability and the wherewithal to examine practice elsewhere, to screen thousands of available materials, to secure these materials at a low cost, and to know and avoid the correctable problems encountered by other delivery agents using the same approaches. We have supported this myth by identifying and crediting the model programs and projects which have emerged from the best of local delivery agents, while ignoring the existence of hundreds of other sloppy projects with ineffective design and approach which have resulted by undirected local initiative. The summer program only improved when worksite agreements and monitoring procedures were standardized, and monitoring procedures enforced, from the federal level.

The Job Corps is perhaps our most effectively managed youth program. It sets detailed standards for core components, invests in large-scale purchases of key materials and equipment, but lets private for-profit and nonprofit agents actually manage centers on a performance basis within federal guidelines and subject to federal monitoring. This management approach should be more broadly utilized in any youth jobs programs.

A YOUTH JOB STRATEGY FOR THE 1980'S

Applying these lessons, a balanced portfolio of youth job creation measures would contain the following elements which would target on different dimensions of the youth employment problem, would spread the administrative burden among different delivery systems, would integrate with the Job Training Partnership Act yet would place most of the job creation responsibilities in other quarters, and would maximize the human resource investment elements of work programs:

1. *Job Corps Career Investment and High Technology Centers.* Jobs Corps works. It serves the most disadvantaged youth, including those from rural poverty areas who cannot be easily reached by local job creation schemes. The program combines work with education and training in a balanced mix. Residential centers are operated by private for-profit and nonprofit contractors, as well as federal land agencies, under detailed federal guidelines. Both nonresidential and residential centers are authorized under JTPA. The longstanding residential program could feasibly be expanded by 20,000 slots over two years. This would include a 25 percent expansion of existing centers, the opening of up to 20 conservation centers, and the introduction of up to 10 technology investment centers with a capacity of 500–750 participants. The high tech centers would focus on robotics, health technician training, computer operations and other occupations judged to have the most promising career potential. They would provide multi-year training, combined with internships in the private sector, following models already used to train computer customer engineers in Job Corps. The best performing disadvantaged students in residential and nonresidential Job Corps programs would be carefully selected for these advanced work/training opportunities.

There could be a much larger expansion of nonresidential programs based on Job Corps models. Job Corps has developed and tested open/entry and open/exit, individualized, self-paced instructional programs covering K-12 academic subjects, college prep, pre-military training, and world-of-work plus life skills domains. It has integrated audiovisual and paper and pencil materials with computer delivered and managed lessons. These advanced learning systems are highly effective with all youth and can be used as primary activities or supplements to work programs. The front-end investments in equipment and materials which are possible through Job Corps can yield substantial payoffs in instructional effectiveness.

The existing Job Corps legislation might, therefore, be used to establish and operate a national network of nonresidential Career Investment Centers in areas of need throughout the country. The Investment Centers would be managed by private for profit, nonprofit or public institutions selected on a competitive basis. They would operate under clear federal specifications and reporting guidelines. The Investment Centers might be sited in schools, community-based organizations, federal or state-owned properties, with site selection following the consultative procedures already mandated for Job Corps centers. Youth employed under jobs programs could be used to rehabilitate and help to operate these centers. The centers would also be staffed and equipped to maintain local satellite operations providing remedial instruction at worksites and in homes using less elaborate equipment and materials. The centers could coordinate youth tutoring youth programs, volunteer tutorial programs and the like.

Nonresidential participants in these Career Investment Centers would receive the small Job Corps maintenance allowance (which includes incentives for performance and length of stay). Paralleling the Job Corps readjustment allownace, they would accrue credits in a Career Investment Fund that could be used, like the GI bill, for further education and training. The current system for tracking and paying these benefits (which utilizes the Army Finance Center), could easily be adapted to maintain individual accounts in the fund and to track usage.

All youth jobs legislation should require unstipended participation in remedial or supplemental education and employability development. This component would be provided by the Career Investment Centers and their satellite operations. This network of centers would operate separately from, but in coordination with, local employment and training initiatives under the Jobs Training Partnership Act. JTPA funds could be used to purchase extra remediation opportunities from Investment Centers (just as JTPA funds can be used to purchase extra slots in the resdential Job Corps program). There would be an incentive to do so, in order to qualify participants for the Investment Fund and to take advantage of the high quality equipment, materials and staff maintained at the Investment Centers. These local Investment Centers would also serve as intake and processing sites for the residential Job Corps program in order to assure that limited residential opportunities were not filled by youth who could be better served in local communities.

As many as a thousand of these centers could be established within a two-year period, providing remediation opportunities to several hundred thousand disadvantaged youth annually, including all participants in youth jobs programs.

2. *Public Service Career Intern Program.* State and local governments would be provided funding for the wages and administration of two-year internship for JTPA-referred, out-of-school youth age 19-21. A career investment plan would be prepared for each participant and internship assignment, detailing the education and training activities which would occupy at least a third of the internship. This training and education component would be supported by JTPA resources. The state and local government would pledge to hire each completer in a permanent public sector job at the end of the two-year assignment. JTPA would provide for a "try-out" employment period before the beginning of the internship in order to allow the state or local government unit a change to determine the potential of the referrals to fill the career requirements. At least 50,000 internship opportunities could be created in this way.

3. *Community Improvement Ventures.* The Ventures in Community Imporvement demonstration under YEDPA documented the feasibility and effectiveness of large-scale work/training projects (60-100 participants) undertaking restoration, renovation and other tangile community imporvements, with extensive skills training structured as part of the work, with a high supervisor/participant ration, utilizing skilled craftsmen as supervisors, and drawing on local resources for materials and equipment. The projects, sited in poverty areas, would be selected by a national competition with incromental implementation on the basis of rankings in the competition and on the availability of funds. As was the case under the YEDPA-funded demonstration, a national nonprofit intermediary, with business and labor represen-

tation, would provide technical assistance and monitoring to the selected sites in order to assure quality and consistency with the model. The projects could be operated by local governmental agencies, nonprofit groups, or even for-profit contractors. The participants for these projects would by referred from JTPA, with education components delivered by the Career Investment Centers. It would probably be feasible to mount 50 additional projects each year.

4. *Entitlement projects.* The Youth Incentive Entitlement Pilot Projects model was an operational success. It helped reduce dropout rates and to promote school return. It increased private sector employment opportunities for poor youth by fully subsidizing private employers. It emphasized and supported alternative education approaches combined with work. The sites for this intensive job guarantee experiment were selected by a structured competition. This could be repeated, limiting the competition to all poverty areas, incrementing additional sites each year as funding became available. Under YEDPA, a nonprofit intermediary, with a balanced board of directors representative of all segments of business, labor and academia, was used with extraordinary success (as documented by the General Accounting Office) in monitoring and assisting Entitlement projects administered by local governments. Using this approach again, it would be entirely feasible to add 25,000 employment opportunities each year. The legislative specifications currently in CETA could be used as the prototype for authorizing langugage.

5. *Youth Community Service.* Community and neighborhood-based groups could be used to mount local employment projects for out-of-school youth under age 22. The jobs would pay the minimum wage for work hours (or the learner's differential where the participant had no previous work experience) but would require unstipened participation in the open-entry, open-exit individualized, self-paced and computer-based instructional programs delivered through the Career Investment Centers. For all hours of participation in remediation activities, the Career Investment Fund would be credited towards a GI-bill to be used later to support individually-selected education or training. Subsidized jobs would be targeted for youth from low income families. However, other youth could volunteer their services and could accumulate credits in their own Career Investment Fund accounts. Local governments would monitor the projects, which would be selected by neighborhood committees or ad hoc groups appointed by the chief elected officials. Standardized federal monitoring and output evaluation procedures would be used to maintain the quality of these projects. Without question, 50,000 year-round service opportunities could be created in this way.

6. *Expanded summer programs.* It is feasible to expand the summer program to one million employment opportunities. In doing so, however, it makes sense to pay the student/learner's differential for those participants with limited previous work experience. It would also make sense to require participation in unstipened preparatory and remedial instruction activities. Again, for those hours of unstipended participation, credits would be accumulated in the Career Investment Fund. Youth not eligible on the basis of income could work on a volunteer basis on summer projects, and could participate in learning activities which would also credit to their individual accounts in the Investment Fund.

7. *Conservation Corps.* There is real and productive work to be done in the nation's parks and lands, and many youth (particularly the better educated from more affluent families) are enthusiastic about these types of experiences. The problem is that federal lands are not near the concentrations of youth most in need, and poor youth tend to prefer neighborhood-based employment. Moreover, conservation work alone offers little opportunity to improve competencies or acquire transferrable skills. Under YACC, the Department of Labor set targets for minority and poor youth participation, and emphasized nonresidential programs sited near poverty areas; but these measures had only limited success in achieving a reasonable balance in the program. A better approach would be to set aside a third of any funds to establish and expand Job Corps conservation centers, which are entirely consistent with the thrust of the conservation proposals. These funds would simply be shifted to the Department of Labor to be passed through to the Departments of Agriculture and Interior as is done in support of the Current Job Corps conservation centers.

At the same time, in the regular nontargeted conservation program, both the federal and state components, unstipended participation in career investment activities could also be required. There is no reason why investment centers could not be established in the regular conservation centers, operating as satellites of, or jointly with, Job Corps instructional programs. The type of youth likely to participate in conservation programs might be very amenable to the notion accruing credits in the Career Investment Fund.

In order to assure the appropriate mix of these various youth jobs initiatives, the range of options must be considered in totality. The fundamental problem is that youth jobs proposals are being considered incrementally, as add-ons to broader job legislation. Within the spectrum of possible youth activities, the measures which have the strongest political support are the least efficient and equitable. Most experts who have reviewed the research on youth programs and youth employment problems would probably agree with the general order of initiatives as outlined above. Job Corps is clearly the most effective and targeted work/training program. At the other extreme, conservation camps cost as much or more than Job Corps, yet do not provide any human resource development nor help those with severe employment problems. A Public Service Career Intern approach can and has worked in accessing real jobs in the public sector, but the approach has been tarred by the alleged problems of adult public service employment programs. Summer jobs have modest post-program effects, but they are easy to expand and always justifiable as a fire-fighting strategy. In contrast, measures such as Entitlement or the proposed Community Improvement Ventures, have conceptual appeal but a payoff only for the subset of selected poverty areas.

Rather than working backwards through the list of alternatives as we have been doing this legislative season, implementing the least effective and least targeted but most popular measures first, we need to better balance political expedience with equity and efficiency consideration by agreeing, first, on the aggregate target expenditure for youth jobs, say $2 billion, then allocating this amount in a rational way across the varied interventions, and then working towards that goal by spreading any incremental funds which become available across a balanced portfolio of approaches. The portfolio outlined above allows for this incremental expansion on all fronts. In fact, it makes a good deal of sense to proceed in this fashion.

The proposed youth jobs programs all have education and training components built-in from the outset. Indeed, the jobs initiative would go hand in hand with the expansion and improvement of our nation's preparatory and remedial systems using the best and most up-to-date systems of computer-based instruction. Everyone recognizes that it is critical not just to employ our youth today, but to provide them with the basic skills that will be needed to master the jobs of the future when the economy recovers.

The proposed initiatives do not overburden the new Jobs Training Partnership Act delivery system. JTPA will prepare youth for and refer them to jobs, JTPA may finance some of the remediation and training elements. But essentially this system can continue on its measured implementation schedule. If the jobs programs do not work, are no longer because of recovery, or lose favor, the national training system will not suffer. Indeed it will be enhanced by the establishment of a national network of Career Investment Centers, and the establishment of a range of high tech, advanced career training centers in Job Corps. These will certainly be needed over the long term.

In order to further assure the integrity and independence of the training system, jobs activities might be administered at the federal level by a Youth Employment Commission, with rotating, Presidentially-appointed membership representatives of business, labor, education, community groups and youth. This commission would distribute and track youth jobs funds. It would establish competitive procedures for selecting sites for Entitlement and Community Improvement Ventures. It would set the guidelines for all youth jobs components, including the summer program and conservation work. It would detail procedures for worksite agreements and monitoring, remediation and training requirements related to work, work valuation and reporting. The Youth Employment Commission would contract for independent monitoring of all worksites. It would report to Congress annually on employment levels, related remediation activities, output and skill attainment, direct and estimated indirect employment effects, and recommended priorities for youth jobs measures. JTPA and the new Career Investment Centers would continue to be operated by the Department of Labor, which has neither the interest nor capacity to direct employment measures.

The employment situation of youth is serious and will remain so in the foreseeable future. We need, and have demonstrated the capacity to mount large scale youth jobs initiatives which will reduce the job deficit, substantially so for minority and poor youth. However, if we continue to legislate bits and pieces of the youth employment agends, settling for the most politically popular approaches whenever there is a chance for action, implementing band-aid measures in a crisis atmosphere, we will repeat the familiar cycle of our nation's employment policies, confirming the judgment of the gainsayers who argue that jobs programs are inherently wasteful and ineffective. Waste and ineffectiveness are avoidable, not inherent.

By combining work with remediation and training, we can increase the long-term payoff of jobs programs. By diversifying the types of interventions, the target groups, and the delivery systems, and by incrementing budgets across a balanced portfolio of initiatives, we can avoid the problems of the past.

Mr. **Hawkins.** I would like to commend both witnesses. You have given us a lot of things to think about.

May I ask the two witnesses to deal with two specific subjects, one, what should be the relationship between job creation and job training?

The other, how can we avoid the problem of substitution of Federal funds for local funds which would have been spent, had the Federal funds not been available? These seem to be two of the dominant issues before the committee as we prepare the proposal before us. Last year, we dealt with the problem of job training. However, this year we seem to be shifting the emphasis to job creation.

Starting with you, Dr. Levitan, may we have you respond to these two issues?

Mr. **Levitan.** With respect to your first question, what should the relationship between the public service employment and job creation and training be, I think that the two should go hand in hand.

Take in an area, the displaced workers, most of them will need a job. Let's take the younger displaced worker with 10 years of experience in a steel mill or in an automobile factory, who will never go back to it or will not go back at least for years. I think that person needs training and the two should go together. I would not limit funds, whatever funds you appropriate, just for job creation, because we have to think about the future of some of these younger people who will never go back to those jobs, and they have been in a well-paying job for years and they certainly need training.

There are many others who need training. Therefore, I would try to distribute the funds. Let's say a $10 billion cut, I would first start with public service employment, and allocate a certain proportion for public works, but a percent for public works that require only maintenance or repair, or filling pot holes which unskilled workers can be used and the third would be used in the training.

To add to that, two experimental programs which I suggested of job sharing, which would cost very little per job, as well as using the supplemental unemployment insurance vouchers for job creation.

Your second question, I don't think that was as important a problem as we discussed this in 1971 when you passed the Emergency Employment Tax, or in particular 1977, when you expended public service employment which started in 1975 or 1976.

The reason that I am saying that that experience is not necessarily applicable is because we had up to 1978 or 1979, we had continued expansion of some 30 years of State and local employment. Therefore, most of the jobs which State and local officials wanted to fill were actually filled and very few were at that time laid off.

What you have right now, Mr. Chairman, is that according to the Bureau of Labor Statistics, 11.5 million workers in February were unemployed, close to a million were former government employees, very few of them were Federal employees, which means close to a million State and local employees are now unemployed.

I would think that the substitution, therefore, is no longer a question of substitution, and even if you say create several hundred thousand jobs, what you can follow is the general practice in American industry or in any fair system, and that is that before you hire new workers, you rehire the old ones.

Now, that would make sense in some cases. It would also mean that the communities would get the services that they have abandoned in recent years, and that they can now recoup with Federal funds. That creates some problem. Some of the disadvantages may never have gotten into the system, and that could be simply by allocation, some percentage of the public service employment may not rehire fired or laid-off workers, but use these positions for new job creation, for disadvantaged workers who have not had a job before.

Mr. HAWKINS. Bob, would you like to comment?

Mr. TAGGART. The entire thrust of my comments was to make work conditioned on school attendance, work combined with mandatory training, internships that included education and structured work assignments or trainability into work assignments under very structured patterns.

That is what we essentially have to do. How you do it is in part to establish a new localized training system that uses the best available individualized self-based and computerized instruction. The Job Corps is a federally run program, where you can line item the budget and you know you will have 1,000 centers, and you can go through and check those.

CETA, Titles II and IV services to youth were cut back when you expanded jobs. Under JTPA, the last people to be served will be youth. The way to approach this problem is probably to build in your own training system for youth, a federally operated training system.

As I recommended previously, break out youth programs from adult programs, run them separately, administrative arrangements and the like and Congress could allocate and design programs as it saw fit.

Mr. HAWKINS. In your presentation, an emphasis on youth and the terrific job losses that we suffered, and youth being disproportionately sacrificed in the process, it would seem that, in effect, you could almost use that argument for the administration's proposal for the subminimum wage rather than any other alternative.

How do you avoid falling into the trap that since this has occurred, the subminimum wage then would solve a substantial amount of the problem that we are facing today?

Mr. TAGGART. The subminimum issue is just a fraud that takes our attention away from the fact that there are not enough jobs.

In the entitlement program, we paid young people working in the private sector; we paid 100 percent if the private sector would take them. It was an experiment in a very tight labor market to find out how many employers would take disadvantaged or minority youth. Six or seven jobs had to be in the public sector. Employers wouldn't take these young people.

You are talking about the least employable in the labor market. A minimum wage can only redistribute the people at the lowest wage scale, available jobs.

We need job creation. The thrust of my proposal was simply to say, when you create jobs for 14- or 15-year-olds, use the existing law's provisions for student workers, so the parent will not complain that the youth is earning more than they are earning.

Mr. LEVITAN. I agree with Bob.

But if the administration had said that the $2.50 pay scale would have been during the summer months, only June, July and August, for 14- and 15-year-olds, I could see some sense in that.

But when you talk about 18-, 19-, and 21-year-olds, young men and women who have graduated from high school, and then pay them less than the minimum wage, you have substitution.

That is where substitution will come in, hiring a 21-year-old or 20-year-old instead of a 23-year-old. I don't see that that is going to create jobs or that anybody will be helped by that.

Many of the 18-, 19-, 20-, and 21-year-olds are supporting themselves and sometimes even supporting families, and finally, many of those youngsters use that summer money to go on to school because otherwise they wouldn't be able to afford to further their education. On the earnings that they would have during the summer months, you just eliminate some more from going on to school. I really don't see what it is the administration is proposing it, except that it is tied to ideology, and it is driven by that kind of ideology and not by analysis of the labor market.

One more fact that I can suggest, and that is, a colleague of ours, Mr. Mangum, conducted a study 2 years ago on the employers. He asked empoyers in five major cities—Cleveland, Atlanta, New York City, and I forget the other two—he asked employers: Is the minimum wage an obstacle to your hiring youth? Overwhelmingly, they all said no. So, instead of looking at the facts, what the administration is doing is bound on its ideology. It has to come out with an employment bill and to throw in a subminimum wage; it borders on insanity, I would say.

Mr. HAWKINS. I know we could go on, but I recognize that both of you are available to the committee. You have been most helpful, and we certainly will continue to avail ourselves of your recommendations and suggestions as we go along.

Again, I wish to thank both of you for your presentations this morning.

We will call the next panel. Mr. Raymond C. Scheppach, executive director, National Governors' Association and Hon. Thomas C. Sawyer, State representative, Akron, Ohio, and vice chairman, Policy Committee on Education and Job Training, National Conference of State Legislatures.

STATEMENT OF RAYMOND C. SCHEPPACH, EXECUTIVE DIRECTOR, NATIONAL GOVERNORS' ASSOCIATION

Mr. SCHEPPACH. I have a rather lengthy statement I will submit for the record.

Mr. HAWKINS. You may deal with your statement's highlights, and your full statement will be entered into the record.

Mr. Scheppach. The creation of additional employment opportunities is a great concern to the Governors, and the National Governors' Association commends you and your committee for these hearings and the work you have done on this issue.

As you are aware, last weekend, the Governors were in town to address several policy positions. The first one they took was on the Federal budget, and it called for major reductions in the deficit over the next 5 years.

The second major issue was job creation. Here the Governors did not take a particular position on any individual bill and neither did they take a position on whether in fact there should be a jobs creation bill or not.

What they did do, however, is to provide some guidelines that if a job creation bill were to take place, it should follow these overall guidelines.

Briefly, No. 1, it should preserve existing programs. No. 2, it should remain flexible and give State and local governments as much flexibility as possible in the spending allocations of these programs. No. 3 is efficiency: it should be used for labor intensive programs. Four, it should be targeted to those that are unemployed for a fairly long period of time. And five, it should be timely, which means that the moneys should be obligated in a fairly short period of time.

With respect to implementation, the Governors would like it to include a block grant to States, would rather not have matching provisions and would like to have administrative procedures which are kept to a minimum. Those were the guidelines that were adopted about a week ago, Mr. Chairman, and we are currently looking at the various bills with respect to those guidelines.

That ends my statement, and I will be happy to answer any questions.

[The prepared statement of Raymond Scheppach follows:]

Prepared Statement of Raymond C. Scheppach, Executive Director, National Governors' Association

The creation of additional employment opportunities is of great concern to the Governors and the National Governors' Association commends the Committee for the energy and attention which you are devoting to this important issue.

The economy of this nation faces a number of critical problems in the years ahead. Unemployment is at record high levels and is projected to remain high for some time in the future. Basic core manufacturing industries are declining rapidly in the face of outdated capital equipment and increased foreign competition. The nation's infrastructure—its roads, its bridges, its sewers and its water supply—is in serious need of new investment if it is to support new economic development. There is growing evidence that we are losing our lead in the development and application of new tecnology as a result of slow progress in retraining current workers and in developing effective science and math training at the elementary and secondary school level.

These problems are producing real hardship for millions of individual Americans and for governments at the federal, state and local level. Demands for services from unemployment insurance to emergency feeding are at an all time high while state and local governments face major reductions in fedeeral aid and a continuing decline in projected revenue. Over the past two years almost every state has been faced with the need to reduce important expenditures and/or to raise taxes.

The economy and the development of additional jobs were the two major issues considered by the National Governors' Association when it met here in Washington last week. The National Governors' Association concluded that there are two areas where immediate federal action is vital. First, the Governors believe that the President and the Congress must act to reduce the deficit in order to preserve a climate for economic growth. Second, we believe that the Congress must address the issue of jobs creation directly.

I would like to take a few minutes to describe the actions that were taken by the Governors in more detail. First, as to the deficit and the preservation of a climate for economic growth, the Governors, like an increasingly broad spectrum of economic experts, are convinced that a continuing and increasing deficit will lead to a new round of interest rate increases which will slow or destroy projected economic growth. While Governors do not believe that precipitous cuts in spending should be made this year, they do believe that we must establish a long-term target for the reduction in annual deficits and enact, in this Congress, the mechanisms to achieve that target. The Governors have suggested, for FY 1988, the goal of reducing the deficit to 2 percent of Gross National Product. This goal will require that the projected FY 1988 deficit of $267 billion be reduced to $90 billion through a combination of spending and revenue measures. Important, however, as is the goal itself, it is also critically important that we achieve it in a fair and rational manner that does not place an unfair burden on those who rely on government for critical support or services or on state and local governments. One of the key revisions of the NGA policy position stated:

"We urge Congress to enact policy changes which share the burden among national defense and domestic spending reductions and possible revenue increases which do not unfairly burden already hard pressed, lower and middle income Americans, and do not shft additional costs to state and local government."

The NGA developed a series of recommended budget guidelines as one means of achieving these goals. Specifically the Governors suggest the following:

"1. *Social Security:* Enact the bipartisan commission recommendations on Social Security. These recommendations include delaying the cost of living adjustment from July to January, taxing 50 percent of Social Security benefits for high income individuals, increasing the payroll tax and allowing a refundable tax credit, and increasing the self employed tax rate with 50 percent to be tax deductible. (Defict reduction in 1988 = $24 billion from projected spending of $211 billion.)

2. *Non-Defense Discretionary Spending:* Restrict the 1984–1988 increases to three-fourths the rate of inflation. This category includes grants to state and local governments, assistance to business and commerce, veterans' health care, environmental regulation, research and development, economic and military assistance to foreign governments and most of the costs to operate the three branches of the federal government. (Deficit reduction in 1988 = $11 billion from the projected spending of $184 billion.)

3. *Means Tested and Other Critical Entitlement Programs:* Provide almost full funding for these programs including AFDC, Food Stamps, Medicaid, SSI, Child Nutrition, Low Income Veterans' Pensions, Guaranteed Student Loans (GSL), Farm Price Supports, Social Services, General Revenue Sharing and Unemployment Insurance. (Deficit reduction in 1988 = $2 billion from a projected spending of $127 billion.)

4. *Non-Means Tested Entitlement Programs:* Restrain the growth in these Entitlement Programs which are projected to increase 60 percent between 1983 and 1988. Included in this category are the various medical insurance, disability and retirement progrmas funded by the federal government. (Deficit reduction in 1988 between $15 and $18 billion from a projected spending of $173 billion.)

5. *National Defense:* Limit National Defense to between 4 and 6 percent real growth in appropriations over the 1984 to 1985 period and between 3 and 5 percent over the entire 1984–1984 period. The baseline and first budget resolution for fiscal year 1983 assume approximately 9.5 percent real growth over the next two years which is slightly below the administration's request. Since defense spending has increased almost 57 percent over the 1981–1983 period some slowing of this rate may be appropriate to maintain cost-effectiveness in weapons systems and other procurement. (The estimated range of deficit reductions in 1988 is between zero and $19 billion form a projected spending of $358 billion.)

6. *Revenues:* Revenues may have to be increased enough to offset the remaining portion of the deficit to attain the goal of 2 percent of GNP. Revenues have already decreased as a percentage of GNP from 20.9 percent in 1981 to 19.0 percent in 1983 and are projected to decrease to 18.3 percent by 1988. The Governors do not, however, endorse any specific revenue proposal."

The Governors recognize that this is a difficult problem but they are prepared to work closely with the Congress in developing the consensus and political support needed for action.

While courageous action on the federal budget is the key to economic recovery, the Governors believe that additional action will be required to develop jobs and to prepare workers to accept these jobs. As a result, the Governors also adopted a policy position concerning jobs development. The introduction to that policy states:

"Current levels of unemployment are unacceptably high, and projections now indicate that the unemployment rate will remain high through 1988. Recognizing the importance of this issue, the National Governors' Association has established a Task Force on Jobs and Infrastructure. The focus of the task force is two-fold: first, to develop policy that would enable the National Governors' Association to work with Congress on emergency job legislation it is developing; and second, to identify long-term initiatives that provide the most effective response to the unemployment problem. Infrastructure programs, retraining, and relocation efforts will be among the options reviewed by the Task Force."

Before outlining that policy, it might ge helpful to describe the process which led to its development. This policy is the product of a special task force of Governors appointed last November. That task force is headed by Governor Thompson, Vice-Chairman of NGA and its members are, Governor Lamm, Chairman of the Committee on Human Resources, Governor Bond, Chairman of the Committee on Community and Economic Development, Governor Orr, Chairman of the Committee on Transportation and Technology, Governor Rockefeller, Chairman of the Committee on Energy and the Environment, Governor Riley, Chairman of the Committee on State-Local Relations and Governor du Pont, Chairman of the Subcommittee on Employment and Training. The composition of this task force represents the Governors' concern that they address the problem of job development form several approaches including economic development, development and restoration of the infrastructure and the development and preparation of the work force. In our view this comprehensive approach is critical and because the problem's too complex to be addressed adequately by any single or uncoordinated program.

In developing their policy, the Governors reviewed both the short-term problem and a longer term strategy. For the short-term they concluded:

". . . Any emergency jobs creation program adopted by Congress should conform to five principles:

"*Preservation:* Financing for programs should not come at the expense of existing programs of federal assistance. These programs have already taken more than their share of spending reductions.

"*Flexibility:* In order to obtain the highest value from the emergency Job Creation Program, states and local governments should have maximum flexibility in allocating the funds.

"*Efficiency:* To ensure benefits to the maximum number of unemployed people under the special legislation, priority should be given to activities that are labor intensive.

"*Targeting:* Funds utilized for jobs creation should be targeted to the long-term unemployed.

"*Timeliness:* The timely commitment of federal funds by states and local governments is necessary to put people back to work as soon as possible."

They also reemphasized the critical relationship with both local government and the private sector stating:

"The states, in cooperation with local governments, are unequely able to move quickly and effectively to implement emergency jobs efforts without creating new and complex administrative systems. They are experienced in administering a broad array of important programs which could be expanded to provide useful employment, and they are well equipped to establish priorities and to coordinate the emergency initiative with other on-going programs. They have the necessary flexibility to deal with problems that overlap local jurisdictions.

"Finally, they have established relationships with the private sector necessary to permit public-private cooperation in identifying job opportunities. This state capacity is enhanced by the fact that states themselves are ready to proceed rapidly with the backlog of needs that has accumulated as a result of declining revenues at all levels of government."

In a further attenpt to provide some useful input into the deliberations of the Congress, the Governors suggested a series of guidelines for implementing the principles included in the policy statement. They said:

"Any national jobs creation legislation should avoid supplanting existing federal programs of state and local assistance.

"States and local governments should be used as the conduits for emergency funds.

"The emergency jobs program should include a block grant to the states.

"The emergency funds should be flexible, so that states can best adapt their use to the special needs of their citizens.

"Preference should be given to labor-intensive uses such as maintenance and repair of public facilities, resource reclamation and conservation, and hiring for human services programs.

"No matching provisions should be included.

"The emergency program should require states and local governments to:

"Commit funds within a specified period of time. If any state or local government is unable to fully use such block grant funds within the guidelines specified, the funds should be reallocated to the state government or the local entities within the state which are ready to utilize them;

"Give priority in hiring to persons who have been unemployed for lengthy periods;

"Emphasize aid to areas within the state most severely affected by unemployment;

"Avoid displacement of current workers.

"Administrative procedures should be kept to a minimum in order to permit timely expenditures of funds, and emphasis should be placed on reporting decisions at the end of the program."

In relation to the critical longer range job development issue, the Governors noted that an effective, long-term employment and training policy must include a combination of economic development policies and emphasize job training for permanent employment instead of only attempting to cushion the severe blow of unemployment.

In addition, they suggested that such a plan should contain the following components:

"*Assistance for Displaced Workers:* A package of retraining, job search and relocation assistance should be available for those who are receiving benefits or have exhausted their benefits and are unlikely to return to their previous jobs. The package would include unemployment insurance to bridge the transition from job to job; retraining to improve personal occupational skills; counseling, job seeking, and relocation assistance to move the individual from a lost job to a new job. We support proposals by the Administration and Congress to increase funding for Title III of the Jobs Training Partnership Act (JTPA) for the training of displaced workers.

"*Youth School-to-Work Transition Assistance:* A school-to-work transition program is needed to prevent the front end loading of the unemployment lines that occurs when young people graduate from high school and cannot find or do not have the skills to a get a job.

"*Improved Vocational Education System:* To further assist local educational agencies, federal vocational education and economic development assistance funds should be targeted upon improving training facilities and programs in our vocational eduction system. In order to accommodate the massive retraining effort needed over the next decade, the vocational education system must be expanded and strengthened.

"*State Planning Support:* The federal government should provide partnership assistance to help state and local governments prepare their own employment strategies. Job creation is often more a local than a national issue, because education, taxation, zoning, and transportation policies determined at the local level are frequently decisive in changing stagnation into economic growth.

"*Private Sector Involvement:* The private sector employers should be encouraged to provide their employees with new skills training and basic remedial education."

"The Governors have worked hard to develop a climate for economic growth and to develop the programs needed to improve education programs and training systems. They have welcomed new responsibilities such as those provided by the Job Training Partnership Act and they are fully prepared to continue to play a substantial role. They recognize, however, that this task is broader than any single level of government, or of government itself. They recognize and welcome an increasing cooperation with the private sector and will continue to work closely with both the federal government and with units of local government. In their policy position they argue for a clearer national policy, stating:

"Recognize that development of a comprehensive national employment policy must be assigned the same level of priority by the federal government as national defense, the maintenance of a sound currency, and support of a healthy economy. Raising employment policy to such a level may require an examination of the current structure of both the Executive and Legislative brances of the government to implement that policy. Above all, we need to streamline the federal response to unemployment and organize government around the principle of employment."

"Governors also recognize the competing nature of our recommendations for deficit reductions and the need for more federal action to stimulate employment. They believe, however, that the reconciliation of this apparent conflict is the fundamental challenge. We must restructure our priorities so that we maximize our investment in the development of new employment opportunities while restraining the growth of the deficit.

"While the task will not be easy, the National Governors' Association is committed to working with the President and Congress for an effective emergency jobs program. We are further committed to working with national leaders to solve the longer term unemployment problems facing our nation through sustained economic growth and related government initiatives.

Mr. Hawkins. We will hear from State Representative Sawyer.

STATEMENT OF HON. THOMAS C. SAWYER, STATE REPRESENTATIVE, AKRON, OHIO, VICE CHAIRMAN, POLICY COMMITTEE ON EDUCATION AND JOB TRAINING, NATIONAL CONFERENCE OF STATE LEGISLATURES

Mr. Sawyer. Thank you, Mr. Chairman. I am Tom Sawyer of Akron, Ohio, a member of the Ohio House of Representatives and vice-chairman of the Policy Committee on Education and Job Training of the National Conference of State Legislatures.

I am pleased to present this testimony to you on behalf of the 7,500 State legislators and their staffs who comprise the membership of NCSL. We are proud to speak as the official national organization serving the interests of the legislatures of the 50 States and those of our American territories and commonwealths.

The policy positions I present here today represent a broad consensus of State legislators. They were originated by our committee on education and job training before being passed by unanimous consent by both our policy recommending State-Federal assembly and our general membership in annual meeting.

Mr. Chairman, the legislatures of the country are painfully aware of the severity of the current economic crisis, especially as it pertains to unemployment. Some 12 million Americans cannot find work. Another 8 million are either working part-time for economic reasons or are too discouraged to actively search for work. Only 5.5 million of the unemployed are able to collect unemployment compensation and approximately 16 million citizens have lost health benefits as a result of their unemployment.

We also recognize the substantial social costs of long term, structural unemployment and short term, cyclical unemployment in the disruption of family life, loss of self-esteem and waste of individual talents.

We are aware of the substantial economic harm caused by continued high levels of unemployment in weakened consumer demand, loss of tax revenues that support needed public programs, high welfare and social insurance costs that drain public resources from other needed services, lower production rates, and generally higher crime rates.

However, all this awareness and sensitivity does not make up for the fact that—in many States, resources with which to deal with these problems are fast disappearing or already gone.

National economic difficulties of the last few years have drained the ability of the States to maintain, much less demand, their efforts in these areas. On the other hand, as a partner with the Federal Government, the States can and are doing much to help alleviate these problems.

The Job Training Partnership Act is one new example of that growing partnership. The revival of the concept of federalism also holds out the promise of a more flexible partnership between the States and the Federal Government.

But that true flexibility has not been found in many of the new block grants, and their effectiveness has been seriously eroded by significantly lower funding levels that go far beyond any administrative cost saving promised. And while this is true, the cost of supporting worthwhile programs continues to rise.

Therefore, whatever the funding mode for future joint ventures between the Federal Government and the States, I respectfully submit that the States simply will be unable to meet Federal expectations if they are not accompanied by adequate Federal funding.

The National Conference of State Legislatures is committed to working with the Congress, the administration and State and local officials toward the development of a comprehensive and coordinated national policy, which includes Federal, State, and local programs, to reduce unemployment and strengthen the national economy.

We also believe that all adult Americans able and willing to work have the right to equal opportunities for useful paid employment at fair rates of compensation.

The Federal Government and the States should use a variety of means available to them to insure that these goals are met. Such means include fiscal and monetary policy, tax incentives, public works, job training and retraining in cooperation with the private sector and appropriate educational institutions, and economic development programs.

Such programs should not be seen as mutally exclusive but as a part of a coordinated Federal-State effort to revitalize the American economy and put people back to work in permanent, meaningful, not just make-work employment.

Specifically regarding the area of job development, NCSL believes that such programs should reflect the following order of priority: one, expansion of jobs in the private sector; two, expansion of private employment with Federal and State incentives and assistance; and, three, expansion of short term, countercyclical public service employment.

The House bills we reviewed in preparation for this testimony—H.R. 1036, H.R. 1046, H.R. 777, and H.R. 116—all seem to have an interesting mixture of many of the features we stated here we would like to see in a coordinated effort. No one bill offers the fully coordinated approach we would prefer, but there are many good ideas in the field.

For example, H.R. 1036 deals with the need to help long-term unemployed with jobs helping States and localities repair delapidated infrastructure, improve public lands, and supplement human services.

H.R. 1060 stresses State coordination and strongly encourages training and retraining as a supplementary activity to short-term jobs to insure long-term employment.

H.R. 1046 essentially seeks to subsidize small business for the creation of jobs.

H.R. 116 calls for business stimulation and the creation of job opportunities.

H.R. 777 wants to establish local councils for the creation of job development projects.

All of these are good ideas, but if there is going to be a workable phase II for Federal job development efforts, we believe it needs to be a more comprehensive State coordinated approach. For instance, there is too much evidence now that countercyclical public works programs alone don't do the job.

Consider the following report done by the NCSL Information Service on public works for job creation. According to a 1977 study, the average public works project generates 44,112 jobs—33,387 onsite jobs and 10,725 jobs in the major supplying industries—per $1 billion of expenditures. Public housing construction generates the fewest jobs per $1 billion of expenditures—28,098—while the construction of large multipurpose projects generates the most—58,525.

With regard to major supplying industries, heavy construction projects will generate more jobs than will building construction in the manufacturing and transportation industries, but fewer jobs than in the wholesale and retail industries.

Research suggests that counter-cyclical public works projects will create eight jobs, lasting 1 year, per $100,000 in short-term employment, while three jobs per $100,000 of the facility's value will be created in long-term employment—includes maintenance, repair, and private employment in complementary materials.

Several studies have concluded that, since 1960, countercyclical public works programs have failed in stimulating employment, especially in distressed areas. For example, the Local Public Works Act of 1977 affected employment minimally because only 2 percent of program costs were expended in wage payments to the unemployed. Also, of laborers hired, only 13 percent were unemployed, while only 29 percent were unskilled.

The majority of public works projects involve heavy construction projects—flood control, water supply, sewage treatment facilities, and highways. However, studies have found that heavy construction projects are rarely suited for countercyclical purposes because that industry does not behave cyclically.

Public works projects have significant short-term impacts on the areas of equipment, material, or industries other than those involved with onsite construction. Public works projects can place heavy demands on the lumber and work products, primary metals, and the transportation equipment industries.

Of funded local public works projects, 51 percent served basic infrastructure needs, 18 percent provided for the construction of governmental structures, 17 percent met the basic needs of education, housing, social services, or community welfare, and 14 percent were designed to enhance the quality of life through cultural or recreational projects.

The effect of public works projects on various socioeconomic groups is uneven. Studies concluded that projects have not effectively targeted young people or the unemployed.

Only a small percentage of the jobs of public works projects were expected to go to youth, even though these workers are probably more susceptible to recessions than older laborers. With regard to the effectiveness toward the unemployed, only 13 percent of the laborers hired by the LPW were unemployed prior to receiving the job.

Yet, there is a profound need to help the long-term unemployed find gainful employment. Perhaps as the national economy improves, some of that will be taken care of as a matter of course.

But beyond that, the scope of the short-term public service employment envisioned in H.R. 1036 should be merged with the realization in H.R. 1060 that training and retraining must be made available if individuals and States are to realize long-term benefits from current efforts.

All of this can and should be coordinated at the State level with other job-training, vocational education, and economic development programs so that local projects fit properly with larger, more comprehensive functions. By doing so, inclusion of any private sector stimulus, especially for small business, also could help to supplement state and other Federal programs in the area of economic development and reindustrialization.

In brief, our Nation and the several States face a staggering unemployment problem brought on by economic decline and a technological revolution that requires a comprehensive effort to assure lasting benefits to the Nation and its citizens, and we cannot stress enough the importance of allowing for flexible State coordination of such programs.

We commend the Congress and the administration for recognizing the value of a full State partnership in the implementation of the Job Training Partnership Act. While such a working arrangement has been the case in varying degrees over the years, recognition of the State as a major driving force in a coordinated effort with local authorities and the Federal Government is a positive step toward enhancing the States' abilities to assume a large partnership role in the planning, policy development, and coordination of employment and training programs.

This growing capability affects both the executive and legislative branches of State government. Calling upon State legislatures to assume responsibilities for policy development and oversight of Federal programs, as they are accustomed by law and practice to assuming for State programs, further enhances their ability to serve both State and national interests for the benefit of all. Such an assumption of responsibility also serves the process of checks and balances so important to our constitutional form of government.

It must be pointed out that, while the States need help in dealing with these enormous problems, they have not been sitting back and waiting for the Federal Government to act. Many States are utilizing what scarce resources they have to mount employment and training programs of their own.

West Virginia has put unemployed coalminers to work on strip mine reclamation and park landscaping projects.

Utah's jobs emergency program, passed by the legislature in a special December session, is helping several hundred workers with temporary jobs maintaining roads and parks and working in libraries and nursing homes, and for 8 hours weekly they are advised on how to find permanent work.

Minnesota's "2002 Fund" is supporting temporary jobs in public works for workers laid off in the taconite mining industry with a much larger program being proposed.

Vermont is seeking to employ up to 1,200 jobless people in State forests, roads and parks.

Beyond these, States like California, Delaware, Minnesota, and Missouri are moving ahead with programs to link employment assistance with job training and economic development.

We are in the process of preparing a sophisticated catalog of a far wider range of programs.

In short, we believe that this demanding cooperative task is one of refocusing blends of resources from our diverse localities throughout this State, that can come together to provide a systematic solution, and those kinds of systematic solutions are unique to each State.

In Ohio, we are trying to adapt a historically heavy industrial base to the needs of an interdependent productive system, based on flexible supply, online inventories, and while we would like to be able to make a quantum leap, we recognize Ohio's economy is in transition and will depend heavily on the kind of approach that we believe can be embodied in 1036.

The fact is that public training programs reach less than 8 percent of the population, yet 60 percent of the 1990 work force, and 70 percent of the year 2000 work force are in the work force today. In today's economy, public sector employment must be able to do more than one job at a time in order to be effective.

We recognize that such programs do not represent job creation by itself, economic stimulation by itself, or even retraining by itself, but rather must be structured to meet hard measures of each of these needs unique to the States and their diverse economies and become productive in their own right, and so acts as a bridge to sound and stable private sector employment that a healthy economy can support.

The point is that the States are capable of doing much more than ever before, but they do need the backup support the Federal Government can provide. In developing that support, we urge you to remember that no two States are exactly alike in their economies, institutions, or procedures.

Therefore, Federal assistance programs, now and in the future, need to allow for the greatest State flexibility possible in meeting the requirements of Federal law. The States may appreciate that more than even the localities.

We urge you to hold the States accountable, but don't tie their hands in meeting their needs as they see them. Allow their laws and procedures to help guide the way for a more effective utilization of coordinated State and Federal resources within the overall scope of national purposes. By doing this, the State can be as much of a resource to the Nation as the Federal Government is to them.

By working together, we might just be able to overcome the terrible unemployment problem we now face.

Thank you for the opportunity to express our views to you on this important subject.

Mr. **Hawkins**. Thank you, gentlemen. I recognize you have been very patient. We don't intend to keep you much longer.

Mr. Sawyer, perhaps I could address this to both of the witnesses. The current emergency assistance program which has just passed the House and is now being considered in the Senate is one attempt to address the emergency unemployment problem. May I find out whether or not the Governors' Association has taken any position on this proposal, or does it meet any of the criteria as you two have discussed it?

Mr. **Scheppach**. The Governors would not take a position on this particular bill.

However, I would say that it has a fairly small State role, at least one that passed the House. And therefore, I would think that the Governors would have some major problems with that approach.

Mr. **Hawkins**. Has it been discussed at all?

Mr. **Scheppach**. It has been discussed. In fact, we do have a task force of four or five Governors who have been following this issue and did pass this policy position in terms of general guidelines, but they could not reach agreement really on any specific bill.

Mr. **Hawkins**. Mr. Sawyer?

Mr. **Sawyer**. Mr. Chairman, the NCSL has not taken a specific position on that legislation, nor any other on which we have commented today, but rather chose to comment broadly on the combined effects of a range of legislation.

Mr. **Hawkins**. Well, in your statement, you dealt rather generously with the subject of public works projects. You indicated that each $1 billion of expenditures generated roughly 45,112 jobs, including both onsite and jobs in supplying industries.

Assuming, however, that that refers basically to the heavier type of public works jobs, and that the proposal, the emergency proposal before us, would spend roughly about $4 billion on this phase of the package, we would be really confining the proposed package before the Congress at this time, four times the 44,000 jobs or roughly 176,000 jobs. Would you, more or less, agree that that is perhaps the outer limit of the job-generating impact of the emergency proposal?

Mr. **Sawyer**. Mr. Chairman, if you are asking me whether I believe that the impact of that particular proposal is sufficient, my response would have to be that in my view it is not, that there is substantially more that we can and should do.

But I would have to reply by saying that I am speaking on my own behalf, and that the data that appears to be, that I presented today, would appear to support that view.

Mr. **Hawkins**. Mr. Scheppach, what impact do you think the emergency proposal, if you care to comment on it, would have on States, whether or not the assistance which is provided would make a substantial impact, or whether or not it is just a gesture, first-step approach that needs to be grealy expanded, or that it is sufficient in terms of the current fiscal crunch that we are in?

Mr. **Scheppach**. Obviously, Mr. Chairman, that $4.6 billion and the creating of less than 200,000 jobs is small. I would have to say, however, though, that the Governors and the States are very concerned about economic recovery right now, and there are some signs about the recovery. It seems that the sectors of the recovery that can lead to that are housing and consumer durables.

The Governors are also very concerned about the deficits to be funded, the deficit impacts on the interest rates. If we move with large increases in the job bills, and hurt investments, exports and so on—well, I would have to say that I agree with you; it is a small amount of money right now.

Is additional job creation in terms of spending the right way to go, or are we more concerned about the deficit impact on interest rates and the interest sectors of the economy? It is a big tradeoff right now.

Mr. HAWKINS. That is what worries me. You seem to think that the deficit is the paramount problem before the Nation rather than the reduction of unemployment.

I don't know of any survey that has been taken that agrees that unemployment is not the major problem before the country, and that the two can be dealt with simultaneously; that is, huge deficit is a byproduct of the other economy, which is largely suffering from the high unemployment.

The only way to get the deficit down is to get the unemployment problem solved and that, consequently, if the deficit is the result of huge underuse of our human resources, that it cannot be reduced unless the unemployment problem is reduced.

I am overlooking completely the morale aspect of it. In the unemployment problem we are dealing with human actions. Obviously, that have some effect on the social problems but some people can't see that even. But is reducing the deficit still going to solve the unemployment problem?

Mr. SCHEPPACH. You have a short-run and a long-run problem. The deficit estimates that we are looking at, $200 billion in 1984, and going up to close to $270 billion by 1988, assume a 3–4 percent real economic growth, which means that even with that growth, you have built in a large structural deficit and you need to make decisions now to take care of that in the long run.

That doesn't mean that you cannot move forward now in a jobs-creation bill to help unemployment in the very, very short run, but at the same time, one has to take actions now that affect the deficit in the 1986, 1987, and 1988 time period because, as we begin to come out of this recession, there is no problem financing Federal debt now; however, as we come out of this recession, as the private demands and interest rates will move up, not in 3 or 6 months, but in a year with those kinds of demands, they are going to move up.

Financing the Federal deficit in 1988 will take all the loanable funds in the economy. So you have to be concerned about that, Mr. Chairman.

Mr. HAWKINS. Last year we spent $60 billion on excess interest alone. Why won't the interest rate, therefore, be the culprit rather than the employment situation? Why not tackle the high interest rates and tackle the Federal Reserve Board if you want to tackle someone? That is what is keeping the interest rates up.

It wasn't the unemployed who created the deficit, that's for sure.

Mr. **SCHEPPACH**. The interest rate is a function of two things: the interest rate and the total debt outstanding. We are adding to that total debt at an alarming rate now, and even with interest rate reductions, it is going to——

Mr. **HAWKINS**. I note the difference in the viewpoint, and I certainly appreciate your position.

However, it seems to me that your priorities are a little mixed up. Those of us who represent areas where our constituents are suffering are seriously concerned a little bit more with unemployment than we are with the deficit.

We have a feeling that if we put these people to work, every decrease in unemployment of 1 percent would add, by the best estimates, $20–$30 billion of added revenues and cost savings; that the best way to reduce the deficit would be to have unemployment reduced, a 5-percent reduction, from 10 to 5 alone, that would represent five times the $30 billion.

So you are talking about a pretty substantial chunk of the deficit. From an economic point of view, if we use that approach, it just seems to me that the concern about the deficit might be better served than doing it the other way around.

Mr. **SCHEPPACH**. I will just make one comment on that, Mr. Chairman.

Those numbers come from the Congressional Budget Office, where I left about a month ago. I was very instrumental in those numbers.

Those numbers reflect short-run impact, not the impact on the interest rate and the indirect effect back through the economy. So it is true that you get that impact on the budget, and most of that is on the revenue side. But again, I bear with you that a very significant portion of that can be offset through interest rate effects by increasing the deficit by the spending.

Mr. **HAWKINS**. Well, I am aware that the Governors' Association did make two desirable recommendations, one to reduce the outlays for defense, which is certainly a step in the right direction. Also, it did not cut as deeply into some of the domestic programs as some other groups have been advocating.

So at least we agree on one half of it, which is real progress.

Thank you very much. We appreciate your testimony this morning.

That concludes the hearing.

[Whereupon, at 12:10 p.m., the subcommittee hearing was adjourned.]

HEARINGS ON JOB CREATION PROPOSALS

THURSDAY, MARCH 17, 1983

House of Representatives,
Subcommittee on Employment Opportunities,
Committee on Education and Labor,
Washington, D.C.

The subcommittee met, pursuant to call, at 9:30 a.m., in room 2261, Rayburn House Office Building, Hon. Augustus. F. Hawkins (chairman of the subcommittee) presiding.

Members present: Representatives Hawkins, Simon, Martinez, Kogovsek, Owens, Jeffords, Gunderson, and Bartlett.

Staff present: Susan Grayson McGuire, staff director; Carole Schanzer, deputy staff director; Terri Schroeder, administrative assistant; and Beth Buehlmann, minority senior legislative associate.

Mr. Hawkins. The Subcommittee on Employment Opportunities is called to order.

The hearing this morning is a continuation of hearings on job creation proposals. The Chair has consulted with the Department of Labor and wishes to make the announcement that the Department of Labor will not be testifying, at least at this morning's hearing. I regret that officials of the Department of Labor have relayed to me the administration's decision not to appear before this subcommittee of the House to present its position on job creation legislation pending before the subcommittee. I regret it because, at this time of the most devastating recession since the depression, with more than 11½ million Americans out of work and desperately seeking jobs, the Department of Labor is unwilling to discuss with us its remedies for attacking this problem, or to engage in a constructive dialog with others who have submitted proposals for putting the unemployed back to work.

However, the subcommittee is very pleased that there are many individuals who are testifying before us on this issue. We are very delighted this morning to welcome those who are testifying. It is my understanding that Mr. Thomas Donohue, the secretary-treasurer of the AFL-CIO, is not present, and we will skip his name at this time. My understanding is that he is on the way.

The second witness is Mr. Robert B. Fay, president and treasurer, Joseph B. Fay, Inc., of Pittsburgh, Pa., representing the Associated General Contractors of America. Mr. Fay, I understand, is present, and we will, therefore, have Mr. Fay as the first witness this morning.

Mr. Fay, would you kindly approach the table with your associates, and would you kindly identify them. We welcome you before the subcommittee, and we are very appreciative that you have sub-

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mitted your written testimony, which will be entered in the record at this point. You may address it as you so desire.

STATEMENT OF ROBERT B. FAY, PRESIDENT AND TREASURER, JOSEPH B. FAY, INC., PITTSBURGH, PA.; ACCOMPANIED BY JOHN A. HEFNER, ASSOCIATE DIRECTOR, MANPOWER AND TRAINING SERVICES, ASSOCIATED GENERAL CONTRACTORS OF AMERICA; AND CHRISTOPHER ENGQUIST, ASSOCIATE DIRECTOR, ASSOCIATED GENERAL CONTRACTORS OF AMERICA

Mr. FAY. Thank you, sir. Good morning.

My name is Bob Fay, and I am president of the Joseph B. Fay Co., a general contracting company from Pittsburgh, Pa. I am also the chairman of the manpower and training committee for the Associated General Contractors of America. I am here today representing that association. I am accompanied here today by Chris Engquist and John Hefner of the national office here in Washington.

Relief for the unemployed is obviously a complicated issue. There are a multitude of choices and each has a different potential impact. Experience has demonstrated that relief programs aimed solely at removing individuals from the unemployment rolls only provide temporary solutions. The best alternatives are programs that provide opportunities for the unemployed to work in jobs which fill legitimate needs within our industrial framework.

Those job creating proposals which Congress seriously considers should be the most cost effective alternatives available. The labor-intensive concept is generally recognized as a good measure of an industry's ability to employ maximum numbers of workers, and we agree with that assessment.

However, an industry's ability to generate jobs internally, as well as in other industries, should be the overriding criteria of any jobs creating proposals. The type of industry which can generate a multiplier effect will employ maximum numbers of individuals within that industry and create a series of jobs in related industries. In that respect, contract construction has the greatest potential to accomplish the objectives of job creation in an effective manner.

The Bureau of Labor Statistics' data which is attached to our written statement demonstate that construction generates more direct and induced jobs within the economy per dollar spent than such industries as manufacturing, communications, mining, transportation, and many others. When total expenditures and the capacity to generate jobs are considered, construction is an ideal candidate for maximum job creation impact.

Potential annual cost savings and generated revenues from increased social security benefits, increased Federal income tax, and reduced unemployment to be gained from stimulating the construction industry are also significant. As an illustration, table 3 in AGC's written statement describes the annual savings and generated revenue from an infrastructure rebuilding program of $61.6 billion. It clearly indicates that construction jobs create income which generates tax revenues and reduces public assistance.

It is conservatively estimated that a construction program to meet the existing infrastructure needs of the United States would result in the employment of 650,000 onsite construction workers annually, with another 843,000 jobs created offsite within the construction industry and in manufacturing and service supply industries. A majority of these jobs can be filled by currently unemployed workers and, with that stimulus, many additional individuals will be added to the work force when economic recovery provides more positions within the industry.

Infrastructure needs for highways, bridges and airports could generate 305,000 jobs alone. In passing the Surface Transportation Act of 1982, Congress recognized the need and jobs creating ability of such programs.

There are other pressing needs. Mass transit and railroad needs could generate 142,790 jobs. Improvements are also needed in systems relating to water supply distribution, dams and locks and sewage treatment. Estimates of jobs for these categories range from 51,000 for water supply projects to 62,000 for sewage treatment facilities. Public buildings could result in 18,000 other jobs.

We have recently concluded a nationwide survey of our infrastructure needs, and we are now convinced that our needs over the next 20 to 30 years are more like $3 trillion.

Mr. FAY. The number of potential employment opportunities associated with each type of infrastructure program and the necessary level of expenditures are contained in the written statement. These figures are based on current needs. There are many elements of the infrastructure which have not yet been surveyed, and it should also be remembered that the components of the infrastructure are deteriorating constantly.

Expansion also needs to be considered. Our economic system depends on our ability to expand. Individual communities need to expand basic elements of the infrastructure to attract new industry. The infrastructure needs of the Nation are long-term, open-ended and constant. There is absolutely no question that rebuilding the Nation is a job that must be accomplished.

There are several jobs creation proposals currently under discussion which deserve some comment. Some of the proposed legislation contains an earnings maximum. Limits on employee wages must address the seasonal nature of many industries such as construction. Employees in such industries will frequently earn more than a stated amount, thereby making the industry ineligible for assistance. Artificial maximum wage levels also ignore the fact that many members of the middle class are presently unemployed.

The Federal supplemental compensation system is currently set to expire on March 31. AGC would prefer that the monies spent on FSC be furnished to private sector job-producing programs to rebuild America's deteriorating infrastructure. This could create substantial private sector employment opportunities, rather than continue a wage replacement program which produces no long-lasting results.

We recognize that these are difficult times and suggest that if Congress does continue the FSC program for an additional 6 months, a variety of measures recently recommended by the administration to improve the operation of the system be included.

A voucher system is contained in several proposals. Voucher systems may provide benefits to employees in certain industries, but would become an administrative nightmare for industries such as construction which traditionally has experienced a high degree of employee turnover. Such proposals would severely limit any advantage construction industry employers could gain by hiring an FSC recipient, even with the industry's high degree of employee turnover.

While AGC perceives many administrative problems in applying a voucher system to the FSC program, we recognize that utilizing FSC indirectly to support private employer training efforts is preferable to using employer-generated unemployment compensation funds for this purpose. We would, therefore, oppose those elements and recommendations currently under consideration which would finance training programs directly out of employer-generated unemployment compensation tax payments. We believe that using employer-generated unemployment compensation taxes for training purposes is inappropriate—one, because it would create an additional burden on the unemployment compensation system at a time when its financial resources are already hard pressed; and, two, it would incorporate into the unemployment compensation system a component which is not consistent with the purpose of the funds, the short-term supplement of wages due to cyclical unemployment.

It is our position that the current suggestions being recommended to overcome these problems would not be effective, including proposals to bar debtor States from utilizing unemployment compensation funds for training, and to require the establishment of a separate unemployment compensation training fund.

We believe that a great opportunity exists to address our Nation's unemployment ills without the necessity of creating a new employment program while, at the same time, addressing another national ill, the deteriorating condition of our Nation's infrastructure. Existing established Federal, State, and local public works programs can be used to, one, reverse the deterioration of our Nation's infrastructure; and, two, provide productive employment in the process.

The methods and procedures of public construction programs entailing competitively bid contract construction to the private sector are already in place. They only need adequate funding to be employment effective.

AGC believes that an effective program to deal with the Nation's infrastructure needs should and can be an integral part of addressing our Nation's unemployment problems. It is beyond question and very timely that such a program will create employment for millions of workers and stimulate the economy to growth and recovery.

Thank you, sir.

[The prepared statement of Robert Fay follows:]

STATEMENT OF
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA
PRESENTED TO THE
EMPLOYMENT OPPORTUNITIES SUBCOMMITTEE
OF THE
LABOR AND EDUCATION COMMITTEE

on

Jobs Creating Proposals
and
Unemployment

March 17, 1983

AGC is:

- More than 32,000 firms including 8,500 of America's leading general contracting firms normally responsible for the employment of 3,400,000-plus employees;
- 112 chapters nationwide;
- More than 80% of America's contract construction of commercial buildings, highways, industrial and municipal-utility facilities;
- Over $100 billion of construction volume annually.

The Associated General Contractors of America and its 113 chapters nationwide is comprised of approximately 32,000 firms including 8,500 of the nation's leading general contracting companies that perform more than $100 billion of construction annually; our member firms normally employ some 3,400,000-plus workers, a significant portion of our national labor pool.

We appreciate the opportunity to submit this statement regarding jobs creating proposals and unemployment. Our industry, more so than any other single industry, knows only too well the unemployment problems that burden our nation -- 1.2 million construction workers are presently unemployed. This represents almost 25% of the work force of the nation's largest industry. Construction currently accounts for some $230 billion of our Gross National Product, directly employing 3.8 million people, and indirectly employing an additional 16 million people in construction supply industries such as cement, glass and steel, insurance, architecture and engineering. However, unlike the recent past, when construction accounted for 10 percent of the Gross National Product (GNP), today's level represents less than 8 percent of the GNP and a sharp drop in the number of people at work on construction sites. We are of the belief that the industry's declining share of GNP is directly related to our nation's current economic concerns.

Labor Intensity

Relief for the unemployed is obviously a complicated issue. There are a multitude of choices and each has a different potential impact on the employed, unemployed, the deficit, and the nation's economy. We have hopefully learned that relief aimed at removing individuals from the unemployment rolls is only a temporary resolution. The best alternative is to develop programs that provide opportunities for the unemployed to work at jobs which fulfill a legitimate and lasting need within our industrial framework.

Any examination of jobs creating proposals should always conform to the axiom that the most cost effective alternatives should be the most attractive. We realize that a labor intensive approach is generally recognized as a measure of an industry's ability to employ maximum numbers of workers. We believe that the concept of labor intensity is key to any jobs creating proposals. However,an industry's ability to generate jobs internally as well as in other industries should be the overriding criteria of any jobs creating proposals. The type of industry which can generate this multiplier effect sould employ not only individuals within that industry, but also create a series of jobs in related industries. In this respect, the products and service consuming construction-by-contract industry has the greatest potential to accomplish the objective in a cost effective manner.

The critical concept here is that job stimulation in the right industry can create several jobs in other related industries. The greatest cost-effective result occurs, not simply when an employer's salary dollar creates a job, but when a job creates the necessity for other jobs within the economy.

A very concrete example of the significance of an industry's multiplier effect in relation to job creation is construction by contract. Tables 1 & 2 are recently published Bureau of Labor Statistics data which clearly demonstrate the products consuming nature of the construction industry. As Chart #1 illustrates, construction generates more direct and induced jobs within the economy per dollar spent, than such industries as manufacturing, communciations, mining and transportation and many others. When total expenditures are considered, the amount of spending and capacity to generate jobs within construction creates a most favorable jobs creating climate.

That same logic applies to potential annual cost savings and generated revenue from increased social security benefits, increased federal income tax, and reduced unemployment to be gained from stimulating the construction industry. As an illustration, Table #3 describes the annual savings and generated revenue from an infrastructure rebuilding program of $61.6 billion. It clearly indicates that construction jobs create income which generates tax revenues and reduces public assistance.

Jobs and Infrastructure Needs

It is estimated, on a very conservative basis, that a construction program to meet the infrastructure needs of the United States would result in the employment of 713,050 onsite construction workers annually, with another 821,815 jobs created offsite within the construction industry and in manufacturing and service supply industries. A majority of these jobs can be filled by currently unemployed workers, and with that stimulus many additional individuals will have the opportunity to be added to the workforce, especially when economic recovery provides more positions within the industry. These conservative estimates are based upon identified requirements for infrastructure rebuilding of $61.6 billion per year sustained for five years, with some programs projected to extend for 20 years.

Infrastructure needs for highways, bridges and airports require outlays of $28 billion per year which could generate 366,800 jobs. Congress, in passing the Surface Transportation Act of 1982, recognized the need and jobs creating ability of such programs.

There are other pressing needs. Mass transit and railroad needs require $13.1 billion and could generate 142,790 jobs. Improvements are also needed in systems relating to water/supply distribution, dams and locks (also transportation-related) and sewage treatment. Estimates of job creation for these categories range from 51,425 for water supply/distribution projects to 61,710 for sewage treatment facilities and have a $5-7 billion price tag. Public buildings, the other major category of infrastructure needs, require annual expenditures of $1.9 billion, which could result in 19,475 jobs.

The number of potential employment opportunities associated with each type of infrastructure program is contained in Tables IV and V. These figures are based on known current needs. There are many elements of the infrastructure that have not yet been surveyed; there are constantly deteriorating components of the infrastructure which have not yet been included and finally, normal economic expansion has not been considered as the estimates were developed.

Our economic system depends on our ability to expand. Individual communitities need to expand basic elements of the infrastructure to attract new industry. In short, the infrastructure needs of the nation are not simply long term. They are entirely open ended and constant. There is absolutely no question that rebuilding the nation is a job that must be accomplished.

Contracting Out

It must be noted that the aforementioned economic benefits will be delivered when construction is contracted out to the private sector. Increasingly large amounts of tax dollars are spent on construction of public works by government employees at all levels of government. Under this trend, which is commonly called "force account" construction, the public does not receive full value for its tax dollar. Studies have shown that it costs significantly more in real dollars for the government to complete work with its own equipment and personnel than it does for the private contractor. Studies have also concluded that construction by contract to the private sector provides a significant return to the public in the form of taxes and tax recycling. A New Jersey study concluded that approximately 10 to 14 percent of a successful bid is returned to the public. An Oregon study revealed that taxpayers receive a net return of more than 20 percent of the contract cost when contract construction is chosen over force account construction.

To maximize efficiency and economy in the expenditure of infrastructure funding and to provide productive private sector employment, infrastructure construction must be accomplished by the private sector through the single contract method and open competitive bidding with the award to the responsible and responsive bidder.

Maximum Monthly Earning

With respect to any proposed legislation, we believe a broader approach needs to be applied if an earnings maximum is considered. Any reasonable limit on employee wages must address itself to the fact that work in many industries is of a seasonal nature and that, of necessity, employees often may earn more than a monthly maximum. Also paramount in any consideration should be the broader multiplier effect. Any maximum level, if necessary, should not ignore the fact that many members of the middle class are unemployed.

Federal Supplemental Compensation (FSC) Program & Job Vouchers

The FSC system is currently set to expire on March 31, 1983. AGC prefers that the monies spent on FSC be funneled to private sector job-producing programs to rebuild America's deteriorating infrastructure. In this time of limited government resources, we believe that it is more important to fund these needs, thereby creating substantial private sector employment opportunities, than merely continue a wage-replacement program which produces no long lasting results.

However, we also recognize that these are unusual and difficult times, and suggest that if Congress does continue the FSC program for an additional six months, a variety of measures recently recommended by the Administration to improve the operation of the system be included. Among the positive changes recommended by the Administration is the replacement of the current 5-tier approach for determining the length of FSC benefits in a given state by a simpler 3-tier approach. In addition, a 30 work-week requirement (instead of the current 20 weeks) for recipients of FSC benefits would ensure that only the most deserving individuals receive these general-revenue supported benefits. Finally, the provisions which would bar FSC benefits to those who voluntarily quit or who were fired for good cause would serve to insure that individuals do not leave their current position simply because of the availability of long term UC benefits under the FSC program.

Turning to a voucher system contained in several proposals, AGC has numerous concerns. Although several proposed voucher systems may provide benefits to employers in certain industries, it would become an administrative nightmare for industries such as the construction industry, which traditionally have experienced a high degree of employee turnover. In addition, the benefits of a voucher system would not be available to employers who had employed the individual at any time during a specified base period. In order to achieve the full benefit of the system, the employee would be required to remain on the payroll of the employer for a full year. Such proposals would severely limit any advantage construction industry employers could gain by hiring an FSC recipient given our industry's high employee mobility and turnover.

Unemployment Compensation (UC) and Structural Unemployment

While AGC perceives many administrative problems in applying a voucher system to the FSC program, we recognize that utilizing FSC indirectly to support private employer training efforts is preferable to using employer-generated unemployment compensation (UC) funds for this purpose. We would therefore oppose those elements in recommendations currently under consideration which would finance training programs directly out of employer-generated UC tax payments. We believe that using employer-generated UC taxes for training purposes is inappropriate, because (1) it would create an additional burden on the UC system at a time when its financial resources are already hard-pressed, and (2) it would incorporate into the UC system a component which is not consistent with the purpose of UC funds: the short-term supplement of wages due to cyclical unemployment.

The UC system was not designed to be a welfare system, nor was it designed to deal with problems created by structural unemployment resulting from basic changes in the nation's economy. In fact, one could argue that the experience component utilized in establishing an employer's UC tax obligations would be undermined if funds he pays are used for the training of unemployed individuals for new, alternative careers. We further believe that Congress has already enacted legislation, the Job Partnership Training Act, which provides a vehicle for such retraining.

While several suggestions have been recommended to ameliorate these problems such a plan would create (including proposals to bar debtor states from utilizing UC funds for training, and to require the establishment of a separate UC training fund), these suggestions do not overcome the basic problem of funding training programs through UC funds as outlined above.

Conclusion

We believe that a great opportunity exists to address our nation's unemployment ills without the necessity of creating a new employment program, while at the same time addressing another national ill--the deteriorating condition of our nation's infrastructure. That opportunity exists in using established federal, state and local public works programs to 1) reverse the deterioration of our nation's infrastructure and 2) provide productive employment in the process.

The vehicles, methods and procedures of public construction programs entailing competitively bid contract construction to the private sector are already in place--they only need adequate funding to be employment effective. Let me repeat: the needs are evident. The work forces are available. All that is lacking is funding to meet both needs.

AGC believes that an effective program to deal with the nation's infrastructure needs should and can be an integral part of addressing our nation's unemployment problems. It is beyond question, and very timely today, that such a program will create employment for millions of workers and stimulate the economy to recovery and growth.

America's manufacturers of steel, glass, plastics, fibers, pipe, cement, wire and paint are just some of the industries that are absolutely dependent on a vibrant goods consuming construction industry -- an industry which, with the other industries dependent on its good health, is responsible for more than 20 percent of American employment. Construction is the engine that drives the rest of our economy. When the construction industry is provided with the funding stimulus it needs, and which government at all levels must provide or risk the total disintegration of our public facilities, the construction industry will lead America to real economic recovery.

TABLE 1

Percent distribution of construction contract costs, all construction studies, 1958–76

Type of construction and year	Total contract costs	Onsite wages and salaries	Materials, supplies, and built-in equipment	Construction equipment	Overhead and profit[1]
Commercial office buildings					
1973	100.0	26.1	42.7	2.7	28.5
Elementary and secondary schools					
1972	100.0	28.2	44.4	2.1	25.3
1965	100.0	25.8	54.2	1.0	19.0
1959	100.0	26.7	54.3	1.4	17.6
Federally aided highways					
1976	100.0	23.8	46.7	(2)	29.5
1958	100.0	23.9	50.6	(2)	25.5
Federal office buildings					
1976	100.0	25.8	42.5	2.9	28.8
1972[4]	100.0	34.0	50.0	(4)	16.0
1959	100.0	29.0	51.3	1.9	17.8
College housing					
1972[4]	100.0	36.0	51.0	(4)	13.0
1961	100.0	29.3	52.6	1.6	16.5
Civil works, total					
1972[3]	100.0	26.0	29.0	22.0	22.0
1960	100.0	29.1	26.2	22.1	22.6
Land projects					
1972	100.0	25.0	32.0	20.0	24.0
1960	100.0	26.0	35.0	19.3	19.7
Dredging projects					
1972	100.0	30.0	24.0	28.0	19.0
1960	100.0	32.3	17.3	24.9	25.5
Sewer works, total					
1971	100.0	24.7	40.7	11.5	23.1
1963	100.0	25.3	46.6	9.9	18.2
Lines					
1971	100.0	24.3	35.2	16.7	23.8
1963	100.0	24.3	44.5	11.2	20.0
Plants					
1971	100.0	25.2	47.0	5.6	22.2
1963	100.0	26.6	49.2	8.2	16.0
Private multifamily housing					
1971	100.0	27.9	44.2	3.0	24.8
Private single-family housing					
1969[5]	100.0	20.4	43.4	.9	35.3
1962[5]	100.0	22.1	47.2	1.0	29.7
Public housing					
1975[3]	100.0	32.7	48.7	4.4	14.2
1968	100.0	32.4	41.9	1.5	24.2
1960	100.0	35.5	45.0	2.5	17.0
General hospitals					
1966	100.0	29.6	50.4	1.3	18.7
1960	100.0	28.2	53.2	1.2	17.4
Nursing homes					
1969[6]	100.0	28.7	53.7	1.2	16.4

[1] Includes offsite wages, fringe benefits, construction financing costs, inventory, and other overhead and administrative expenses as well as profit.

[2] Equipment included with overhead and profit.

[3] Estimated.

[4] Equipment included in materials.

[5] Includes selling expenses.

[6] Estimated. Based on case study.

NOTE: Detail may not add to totals due to rounding.

Source: Labor And Materials Requirements For Federal Building Construction, U.S. Department of Labor, Bureau of Labor Statistics, January 1983.

TABLE 2

Percent distribution of cost of materials, supplies, and equipment by product group, all construction studies, 1958–76

Type of construction and year	Total materials, supplies, and equipment	Mining and quarrying (nonmetallic minerals except fuel)	Lumber and wood products except furniture	Furniture and fixtures	Chemicals and allied products	Petroleum refining and related products	Stone, clay, glass, and concrete products	Primary metal products	Fabricated metal products	Machinery, except electrical	Electrical and electronic machinery, equipment, and supplies	Construction equipment (rental value and depreciation)	Materials and supplies n.e.c.
Commercial office buildings:													
1974	100.00	2.67	7.55	0.42	0.99	1.98	23.90	12.55	22.21	11.43	7.62	5.99	4.69
Federal office buildings:													
1958	100.00	.41	3.21	.34	1.03	.88	[illegible]	7.32	32.81	6.91	18.20	3.59	3.61
1973	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
1976	100.00	.49	2.31	.41	1.10	1.11	22.61	20.82	19.33	10.65	10.11	6.52	4.56
Elementary and secondary schools:													
1959	100.00	.30	8.90	1.50	1.41	2.02	24.39	13.07	26.78	2.47	9.27	4.04	3.74
1965	100.00	.32	9.13	2.90	.96	2.27	24.67	11.68	24.41	5.30	8.78	4.45	3.83
1972	100.00	.35	5.09	2.67	1.41	1.72	20.15	11.33	24.06	7.71	12.32	4.52	5.47
Private multifamily housing:													
1971	100.00	1.34	16.87	3.89	2.21	1.74	22.12	8.85	15.59	3.72	9.36	6.51	6.00
Private single-family housing:													
1962	100.00	.79	40.05	–	2.22	2.30	23.58	5.50	14.60	.46	6.49	2.03	1.99
1969	100.00	.39	37.40	3.28	1.82	1.80	21.33	5.05	12.90	1.90	6.77	2.00	4.87
Public housing:													
1960	100.00	.80	14.10	.30	1.80	1.70	27.10	8.00	28.50	2.30	8.40	[illegible]	1.80
1968	100.00	.80	14.40	.30	2.00	2.20	24.70	9.20	27.20	2.50	11.30	[illegible]	1.80
1975	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
General hospitals:													
1962	100.00	.42	4.15	.86	.81	.97	18.98	6.82	35.05	8.48	15.60	2.06	5.89
1966	100.00	.51	4.66	[illegible]	.77	.80	18.40	8.61	31.11	12.11	15.62	2.50	4.47
Nursing homes:													
1966[4]	100.00	.53	9.06	.27	1.24	1.82	20.16	6.23	33.32	11.03	10.78	2.15	3.41
College housing:													
1961	100.00	.78	10.67	1.70	1.18	1.05	25.78	6.11	33.90	2.92	11.36	2.94	1.62
1972	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Federally aided highways:													
1958	100.00	11.34	1.76	–	.80	17.09	16.77	–	19.48	–	–	(3)	32.75
1976	100.00	12.42	.85	–	.97	17.58	14.04	–	21.22	–	–	(3)	32.92
Civil works:													
Land projects:													
1960	100.00	17.46	4.15	–	3.87	12.65	9.09	1.33	13.20	.59	.24	35.39	2.05
1972	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Dredging projects:													
1960	[illegible]	[illegible]	–	–	3.93	28.07	–	–	1.49	1.40	–	58.98	6.13
1972	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Sewer works:													
Lines:													
1963	100.00	.61	.79	–	.36	3.02	55.87	8.79	2.39	3.02	.74	20.19	.20
1971	100.00	.43	1.52	–	1.14	4.82	40.77	7.38	2.20	4.48	1.03	32.22	1.00
Plants:													
1963	100.00	2.27	1.64	–	.96	1.85	16.78	14.48	13.16	22.34	9.51	14.25	2.75
1971	100.00	[illegible]	2.46	.22	.87	1.25	15.62	11.22	13.87	33.51	6.72	10.59	2.54

[1] Includes vitreous china plumbing fixtures except for Federally aided highways, private office buildings, elementary and secondary schools (1971), and single-family and multifamily housing.

[2] Not available.

[3] Construction equipment estimate included in materials and supplies, n.e.c.

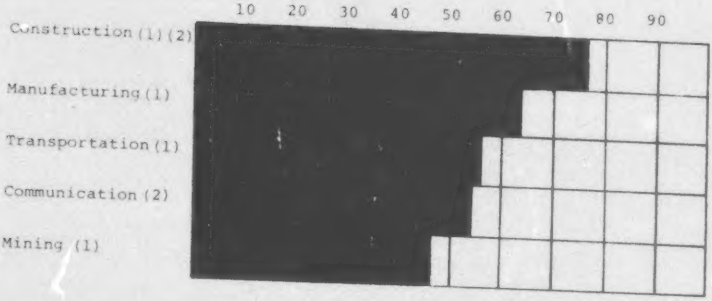
[4] Based on case study.

NOTE: Detail may not add to totals due to rounding. Dash denotes that the survey had no sample projects in this cell.

Source: Labor And Materials Requirements For Federal Building Construction, U.S. Department of Labor, Bureau of Labor Statistics, January 1983.

CHART #1

Industry Comparison
of
Jobs Creation Impact
For
$1,000,000 in Expenditure



(1) Median Comparison
(2) Average Comparison

Chart is based on unpublished Bureau of Labor Statistics Data (Office of Economic Growth). Takes into account Direct, Indirect and Induced jobs, and was measured in 1972 dollars and modified to consider industry productivity increases or decreases.

TABLE III
POTENTIAL ANNUAL COST SAVINGS AND REVENUE GENERATED
from
Infrastructure Rebuilding Program

	On-Site Craft Jobs	Off-Site Construction & Other Industries	Total
Increased Social Security Payments	$1,651,000,000	$1,514.000,000	$3,165,000,000
Increased Federal Income Tax	$1,603,000,000	$1,470,000,000	$3,073,000,000
Reduced Unemployment Compensation Payments	$1,153,000,000	$1,329,000,000	$2,482,000,000
TOTAL	$4,407,000,000	$4,313,000,00	$8,720,000,000

Annual income used to develop the table has been estimated based upon the average hourly earnings of the mix of construction, manufacturing and transportation jobs created. These were applied to a work year of 1,900 hours. Estimated average annual income for construction workers is $18,886 and for other workers is $15,029.

All figures are based upon 1980 data. This was most comparable to the expenditures estimated and, in most cases, was the most current data available. It is believed that changes in the current tax structure which have the effect of lowering income tax receipts and increasing social security tax receipts would not materially effect the total revenue from these sources. Adjusting unemployment compensation payments for current dollars would increase the amount on the table an estimated 15 percent.

There are other lesser revenues that would be generated for government that have not been considered. Among these are state and local taxes, corporate income taxes at all levels, and food stamps and other forms of public assistance.

TABLE IV
ON-SITE/OFF SITE
EMPLOYMENT OPPORTUNITIES
by
Type of Infrastructure Construction

	On-Site Craft Jobs	Off-Site Construction & Other Industries	Total
Water Supply/ Districution	51,425	79,200	130,635
Dams/Locks	70,850	75,400	146,250
Sewage Treatment	61,710	96,360	158,070
Public Buildings	19,475	26,695	46,170
Highways/Bridges/ Airports	366,800	369,600	736,400
Mass Transit Railroads	142,790	174,560	317,350
TOTAL	713,050	821,815	1,534,865

Technical Notes for Table IV. Estimates developed by the Construction Labor Research Council (CLRC) using the Bureau of Labor Statistics Office of Productivity and Technology Report entitled "Employment Created by Construction Expenditures." (Monthly Labor Review, December 1981). Construction labor requirements for mass transit and railroad projects are CLRC estimates based upon discussions with individuals within the industry familiar with the type of construction.

Overall dollar outlays for each category were identified in AGC's November CONSTRUCTOR article entitled "Our Fractured Framework: Why America Must Rebuild." Those figures were annualized for each category as follows: Water supply and distribution, 20 years; dams & locks, 20 years; sewage treatment, 18 years; public buildings, 5 years; highways, 13 years; bridges, 20 years; airports, 10 years; and mass transit and railroads, 10 years.

TABLE V
ON-SITE EMPLOYMENT OPPORTUNITIES
by
Type of Infrastructure Program and Craft

Category	Carpenter	Cement Mason	Electrician	Iron-worker	Operating Engineer	Plumber	Truck Driver	Laborer	Other Crafts	Total
Water Supply Distribution	716	870	256	102	16,010	3,632	2,455	26,004	1,380	51,425
Dams/Locks	4,887	850	--	2,338	18,344	3,683	10,625	24,881	5,242	70,850
Sewage Treatment	9,926	1,923	3,971	3,102	7,879	5,584	1,427	19,088	8,810	61,710
Public Buildings	2,863	682	2,357	1,617	740	1,167	155	4,692	4,752	19,475
Highways/Bridges Airports	23,479	13,951	4,770	10,639	99,417	733	52,827	136,048	24,946	366,850
Mass Transit Railroads	5,712	--	7,282	11,280	38,696	--	16,135	52,976	10,709	142,790
TOTAL	47,583	18,266	18,636	29,078	181,086	15,249	83,624	263,689	55,839	713,050

Technical Notes for Table V. A craft breakdown of labor requirements for each type of construction studied by BLS. The percentage of labor represented by each craft, as tabulated by BLS, was applied to the total number of jobs created to determine the craft requirements.

Mr. **Hawkins**. Thank you, Mr. Fay, for a very excellent and well presented statement.

On page 2 of your statement, in the first paragraph, you make a rather persuasive argument for a job creating proposal based upon "the most cost effective alternative should be the most attractive." That seems in a sense to preclude other proposals.

Would you agree that, due to the multiplicity of causes of unemployment and the complexity of the problem today, that no one approach is adequate and that, in effect, we must use many approaches—assuming using the criteria you have established, assuming that they are cost effective—that sometimes we must use those that may be less cost effective than others, that we would still not lose if we still maintained cost effective alternatives?

Mr. **Fay**. Yes, sir. I would believe that the problem is so complex that there must be a many-pronged addressing of that problem. Our basic philosophy is, though, the infrastructure needs to be repaired. It is the vital fiber that has made this country great, and it is the fiber that holds this country together. It is also a long-range job creating program.

We want to see jobs created that are long range. We want to see people trained and retrained, people from the smokestack industries that are being displaced—particularly in my areas—must be retrained for new employment opportunities. So there is no question there is no one simple answer. We feel that this is one of many, and it probably may be one of the most viable.

Mr. **Hawkins**. Certainly the Chair agrees with you in the statement that you have made. I think all of us recognize the importance of the construction industry, and certainly are highly supportive of it.

However, would you not also agree, though, that there are many services that are equally important in the economy today that—for example, educational services of all nature, health services, and so forth—that also may be long range and deserve some attention maybe? They are not as important in one respect as the construction industry, but certainly to individuals in our society today, health is an important subject, and those engaged in health services are to be considered, I would assume, just as equally important as an individual who may be nailing a nail or holding a welding iron or building something we might call a manufacturered product.

In other words, I am not disagreeing with the importance of what you are saying. I am simply suggesting that it is an oversimplification, it would seem to me, to almost preclude other activities as being as socially desirable as manufacturing something.

Mr. **Fay**. We do not want to say that construction is the only answer, but construction generates so many auxiliary functions. It generates demands for steel and concrete and cement and rubber and plastic. It tends to have the multiplier effect, which is probably geometric rather than arithmetic. It has the greatest potential.

We certainly recognize the fact that the other industries must be kept up and must be kept viable. But we feel that the multiplier effect of the construction industry tends to create the most number of jobs for the dollar spent, and many of the vehicles are in place.

We are also suffering in our industry from probably as high unemployment as anybody, being around 25 percent at the present time.

Mr. **Hawkins**. Relating the question then to the unemployment problem, which is certainly a major, if not the major, problem facing us at this time as a nation. In view of the fact that roughly 43 percent of our labor force are women and over 4.5 million of those are unemployed currently, how many women do you think will be employed in the construction industry? Assuming that we concentrate on that as the major solution, just how many women do you think in the next year or two we will be able to get into the construction industry?

Mr. **Fay**. As you know, we are striving very hard to reach our present goal of approximately 7 percent directly employment. Honestly, we probably fell short of that goal in many areas. But in the related industries, it would be difficult for me to actually give you a number about the total number of jobs. But I would think it would be a fairly good percentage of those employed in production facilities and service facilities and all of the various supply facets of our industry. It would be quite a large number.

Mr. **Hawkins**. Would we not be talking again about basic industries such as steel, rubber, glass, and a few others where women also are not generally employed in any great number? Aren't we really talking about looking to the secondary effects of the construction industry for reaching a large segment of the workforce, particularly unemployed women?

Mr. **Fay**. Well, they are in both our field operations, but also in our corporations. At the present time, there have been huge layoffs in the companies, and there are corporate people—many women who are employed as engineers and office managers, controllers, and positions like that which are also suffering. We have not only laid off 25 percent of our field forces, but in many cases, we have laid off 50 percent of our administrative service forces, too.

Mr. **Hawkins**. On pages 3 and 4 of your statement, under the title "Jobs and Infrastructure Needs"—I am not so sure I understand the statistics on these two pages. You began by stating that the infrastructure needs would result in the employment of 650,000 onsite construction workers and another 843,000 jobs created off site. Then you break it down and get into highways, bridges, airports, mass transit and railroad needs, and finally public buildings.

Are these included in the overall estimate of the 650,000 and the 843,000, or are these in addition to that? In other words, should we add up these various amounts, or should we deal with the overall number?

Mr. **Fay**. I believe the overall number—the 650,000 and the 843,000 are the overall numbers.

Mr. **Hawkins**. And the others would be included, right?

Mr. **Fay**. That is correct, sir.

Mr. **Hawkins**. Then on table 3 on page 4 that you refer to, I could not get the connection between that and the table 3 on the last page. The table 3 seemed to say that the number of potential employment opportunities, and table 3 dealt with potential annual cost savings and revenues generated—is that the correct table that we are using?

Mr. FAY. The graph, which is on table 3, indicates that the jobs created and the impact per million dollars' worth of expenditures for the different types of industries.

The annual cost savings that are generated because of, on the positive side, payroll taxes and the social security end; on the other side, the reducement of unemployment compensation benefits.

Mr. HAWKINS. But the reference is to the number of potential employment opportunities, and table 3 did not seem to indicate the number of potential employment opportunities but, rather, the cost savings. Are we using the same table 3?

Mr. FAY. Do you have this chart, sir?

Mr. HAWKINS. No. I am using table 3.

Mr. FAY. OK.

Mr. HAWKINS. I am just trying to get the correct reference.

Mr. FAY. This reference table is that one that shows the number of jobs created per million dollars' worth of work.

Mr. HAWKINS. Is this the table that we should be using for that reference? It isn't labeled table 3.

Mr. ENGQUIST. I believe your written statement probably has the wrong chart in it. We will see to it that you get the right chart.

Mr. HAWKINS. This is the table that relates to that statement?

Mr. ENGQUIST. No, it is not.

Mr. HAWKINS. I see.

Mr. ENGQUIST. I think that you are missing the correct chart. We will see that you get the right one.

Mr. HAWKINS. The final question, Mr. Fay, that I would like to address to you is, again, on pages 3 and 4, you outline a large number of suggestions, pressing needs that should be met, presumably resulting in employment opportunities. However, these suggestions involve rather substantial spending increases.

I think you are possibly just as familiar as the rest of us are that, currently, there is a pressing need expressed by what seems to be a campaign to reduce the deficit. Would you deal with just how we will follow these suggestions without spending money, increasing substantially spending, and initially probably be charged with adding to the deficit rather than attempting to reduce it?

Mr. FAY. I think there are many potential ways of funding there. There might be something started like a revolving infrastructure fund, that money would be loaned out of that fund similar to bond issues and a low rates of issues to the various muncipalities, and then they would pay them back as we have in the past paid off long-term bond issues for present needs. I am sure there are many of the aspects of user fees, as you did in the Surface Transportation Act, that would pay for it.

We think it is something that there has to be some new and innovative ways of financing for. I am not sure I would know all of them. But I think that long-term, low interest rate borrowing would be one of the most advantageous ways I know. At home, I am involved at the local community level in projects that we had to do. We have funded them through long-term bond issues that are paid back over periods of time. But they were necessary improvements needed to insure future growth in our particular community.

I think that is one of the most viable ways. I don't think any of us want to see that deficit increased any. And whatever we can do to help to lower that deficit, we would certainly be willing to participate in.

Mr. **Hawkins**. We certainly will rely on you to come up with some of these creative ideas and assist us in trying to pay for some of the things. I think we are running out of innovative ideas in this session of Congress that are highly acceptable to the vast majority of the people. But I just wanted to simply suggest that that is one of the problems that, while we know that the infrastructure should be rebuilt and while we agree with you in pressing that concern in doing something about it, at the Federal level at least, any suggestions will meet with rather cold reception as adding to the deficit. I suspect that that sentiment is going to continue.

Mr. Jeffords.

Mr. **Jeffords**. Thank you, Mr. Chairman.

I will resist the opportunity to make a political comment that you have run out of innovative ideas on your side. I will let that slip by.

Mr. **Hawkins**. We are willing to accept yours as well.

Mr. **Jeffords**. Sure. We will have lots of them.

I, first of all, want to say I started my college life studying to be a civil engineer, building dams and roads, and it kind of turns me on. But I do have some problems similar to those of the chairman about construction right now.

I know that you made some statements which were in startling contrast to other evidence that we have had. I would like to run through a few of those statements to see where perhaps the evidence we have put before us is incorrect.

One, for instance, is related to what we were just talking about. I must say that I know our Republican task force has endorsed the idea of an infrastructure bank and would like to hear some of the thoughts that you have. We will have legislation coming forward on that aspect. But even that will require money up front from somewhere. You can't pull it out of the air.

Economists have told us that, because of this high-deficit situation and low availability of capital, you really can't count on any indirect job creation and net overall effect because, for every job you create with the money that you have to borrow for the direct jobs, you end up reducing employment in some other area because of the lack of the capital to fund those jobs.

I wondered if you could enlighten me as to whether or not you agree with that?

Mr. **Fay**. I don't think I totally agree with that. Being from Pittsburgh, the home of many of the smokestack industries—as you know, they have gone through a devastating period of economic downturn. At the present time, their inventories are all used up, so they have the facilities available, and if the demand comes for reinforcing steel and structural steel for bridges and buildings and other type structures, that would have the effect to put the steelworkers back to work to build these products because they have no more inventories to draw from. So their facilities are there. It is not going to require them to rebuild facilities at that point. There is an awful lot of rebuilding they have to do to maintain their com-

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petitiveness in world markets, but the facilities are there to meet the needs which would be generated from these types of programs.

Mr. **JEFFORDS**. I understand what you are saying. But, of course, economists tell us that may help the steel industry, but it would hurt an increase in jobs in some other areas. I will leave that for now. I don't think we are going to resolve that one here today.

Mr. **FAY**. No, I don't think so.

Mr. **JEFFORDS**. Another thing I am very interested in and concerned about is that a GAO study done after the last big public works program we had indicated that, because of the nature of the construction industry, only somewhere around 13 percent of the jobs went to unemployed people. You can argue that it kept people from being unemployed, but that the net effect was really little assistance to those people presently unemployed. At a time when we have large numbers—over 1 million people who cannot receive benefits, I wonder where your figures came from in your testimony that a majority of the people who would have been unemployed or would be unemployed are hired by construction jobs.

Mr. **FAY**. At the present time, 25 percent of our work force is unemployed. That is a big percentage right there. Now, the statistics available to us from the Department of Labor and other places indicate that, through attrition and other reasons, there would be new demands of something like, in the decade of the 1980's, they were talking about 900,000 new openings in the construction industry if it maintained its normal level of employment. But, alone, we have 25 percent unemployment in our business. That is a big part of unemployment. We have people who have exhausted their benefits long ago. So, in our own industry alone, we are accounting for large numbers of your unemployment.

Mr. **JEFFORDS**. Along those lines, we have just passed a multibillion dollar construction bill in the emergency appropriations bill. The bill is still in the Senate, but I presume it will pass. It was around $4.6 billion when it left the House, and 83 percent of that money is for construction. Yet, as the chairman pointed out, few, if any, of the jobs will go to women and few, if any, will go to minorities and youth, groups that have very high unemployment. Do you feel it would be wise to continue in the second phase to put substantial amounts of money in construction with those large numbers of individuals in those other categories still unemployed? I recognize you talk about the indirect effect, but I question seriously whether that is going to have any significant effect on the women and minority population that are unemployed.

Mr. **FAY**. We have made some good strides, we feel, in the industry in the minority employment. We have at the last recount a program which I connected with which is the Operating Engineers national apprenticeship program. I believe that 30 percent of our apprentices at that time were either minorities or female. So we making strides in our industry toward that end.

We have not generated the number of women applicants for field positions that I think many of you people in Washington feel are available. We have had in the past 4 years programs that were opened. We have made serious recruitment efforts in that area. We have not had the numbers which you feel want to be employed in field positions.

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We have had better luck with some trades. Our carpentry trades and our operating trades have had some good responses. Our wet trades, which are cement masons, bricklayers, plasterers, and so forth have also had good responses. We have had total inability, even when we had positions available, to have the entry-level women come in to go through our various programs.

In the recruitment of minorities, I think we have done a reasonably good job. With the women, we haven't had the demand which everybody thinks is there for them to come in. Maybe that is different in other parts of the country than it is in Pittsburgh, but I know I am very involved in Pittsburgh, and it hasn't happened.

Mr. JEFFORDS. Of course, that is, in a way, a different issue, a question of changing the industry versus the present situation where we are trying to design programs to help the unemployed when we have large numbers of women—in fact, I think there is a greater percentage of head-of-household women unemployed than men right now.

I was going to make another point, but I can't remember what it was. I will let it go for right now.

Mr. HAWKINS. Why can't you innovate?

Mr. JEFFORDS. OK, I will innovate.

That is all right, Mr. Chairman.

Mr. HAWKINS. OK. We will come back to you.

Mr. Kogovsek.

Mr. KOGOVSEK. Thank you, Mr. Chairman.

Thank you, Mr. Fay.

Mr. Fay, it seems to me that—and I assume it seems to you—that there is a tremendous amount of work that has to be done in this Nation. Schools have to be built. Hospitals have to be built. In the West, as far as we are concerned, water projects have to be built. Those water projects can mean that the economy of the West and other parts of the country can improve, as far as agriculture is concerned, as far as making sure there is enough water out there. There are synthetic fuel plants, as far as oil shale development is concerned. There is tourism, et cetera.

Those kinds of permanent projects, those kinds of permanent jobs, that can produce further economic enhancements in the future, those kinds of things have to be done. I would assume that you would concur with that.

Mr. FAY. I certainly do. If I lived in the West, I certainly would have reason for concerne because, even today, you have committed 125 percent of the water that is in the Colorado River alone. So something has to be done if the area is to survive, no question.

You all know the reason for the many problems in California by way of erosion and wash-aways and all of those things. Something has to be done.

Mr. KOGOVSEK. It seems to me that even as far as major projects like moving some of the water from back East to the Midwest and the West could put many people to work, as far as moving some of the Missouri River westward.

I know that some of these things sound futuristic, but it seems to me that those are some of the things that we should look at. Yet, we have this problem of how do you put people to work immediately. I think that is what the chairman is about. I think that is what Congress is about.

Could you tell me what percentage of funds—and you are going to have to probably have a lot of latitude here because it is going to depend on the projects, and so on—what percentage of funds going to build public works facilities like some of the ones I mentioned would go for the payment of wages if we came up with a certain amount of money? Is there any way you can come up with a guesstimate?

Mr. **Fay**. The ratio of wages in a construction job varies from approximately 25 to 50 percent of the overall contract price. Some types of work is different. Some types of jobs are labor intense, and the big earthmoving jobs are more equipment intense, but I would say that would be a reasonable figure to assume, depending on the type of project.

Mr. **Kogovsek**. Twenty-five percent?

Mr. **Fay**. Twenty-five to fifty percent, in that neighborhood.

Mr. **Kogovsek**. What percentage would go for materials and equipment?

Mr. **Fay**. That varies also, but on the type of projects—say you are talking about the bureau of rec projects—they would probably be 30 percent labor, 30 percent equipment, and 30 percent material, in that neighborhood.

Mr. **Kogovsek**. If in fact the Federal Government, under some plan, would pay for wages of the workers on needed public works projects, in your own opinion, do you believe that the States and the local governments could shoulder the other costs associated with these types of projects? I guess, once again, that would depend on the States. But I am thinking of some of the Western States and Midwestern States now.

Mr. **Fay**. I think that if there were some long-term financing available at a reasonable interest rate, then the local municipality is just going to have to sooner or later bite the bullet and do the project. If not, they are going to wither and die, lose their tax base, they will lose their industries, and it would just snowball after that, I would think.

Mr. **Kogovsek**. Do you concur or do you feel that certain public works facilities promote economic growth in communities and, if so, could you give the committee a couple of examples?

Mr. **Fay**. Take anybody who is going to start an industry. When he makes his preliminary survey, where is he going to go? He is going to go to an area, first of all, of course, that has a reasonable tax structure for a corporate investment. But he is going to go to a place that has good public facilities, schools, hospitals, roads and transportation facilities, places that have adequate water supply and sewage disposal supply and homes available. So he is going to go to an area where the infrastructure is in place and in reasonably good shape.

Our forefathers invested in all this, some of it 100 years old. In Pittsburgh, we have water lines that are 100 years old. We have a bridge that was built in 1883, and today it is carrying two lanes of vehicular traffic and two lanes of trolley traffic. Yet, it was built in 1883 when maybe the maximum load you could get in a horse and wagon was 2 or 3 tons. We are still using it.

Somewhere, they financed that back in those days and, somehow, we have to come up with being able to finance it today if we are going to go into the next century and be the great Nation we have always been.

Mr. **Kogovsek**. Thank you.

I have no further questions.

Mr. **Hawkins**. Mr. Martinez.

Mr. **Martinez**. What kind of construction are we talking about? Is this just roads and highways we are talking about, or is it also buildings and the like?

Mr. **Fay**. We are talking about all public construction that is involved in the infrastructure.

Mr. **Martinez**. Housing?

Mr. **Fay**. Housing, hospitals, public buildings, jails——

Mr. **Martinez**. Somehow, when you mention all of those things—maybe it is my imagination—but I see a great number of jobs created. In hospitals, for example, there are many, many people working in hospitals. Somebody has to occupy those buildings. Some will move over from other facilities that are outmoded, but there will also be a lot of new jobs created.

It is dependent on where they are built, too. You may build a hospital in an area where there wasn't one before, so they are going to have to draw or attract people there, and maybe train some. But I just can't help believing that whenever you create a lot of construction, there are going to be a lot of other activities, as you outlined in your statement.

As far as innovation is concerned, there are a lot of innovative things we can do, but we just don't have the guts to do them. Large corporations are given a unique tax credit. There is tax credit they could give them for buying a publics works building, and in buying that building and leasing it back to the people who would be operating it—let's say for a hospital—they get to write off the depreciation and use that as a tax credit, and then in the increment of the tax of that property, they could accumulate the payment back the same as a CRA works. All those financial details, I don't want to go into them right now, but I think it can be done.

I wonder how many people will go to the floor and vote for something that innovative and creative. From what I have seen recently, there aren't a lot of people who have the courage and the convictions that they seem to have when they are making political speeches out there.

But I think that there are things that we can do. I think that we are going to get to the rock bottom and then finally realize that we are going to have to act. But I think you are right. Going along with what I said earlier, you can envision all kinds of things.

You build an office building and there has got to be furniture in it; right?

Mr. **Fay**. That is right. Somebody has to manufacture it.

Mr. **Martinez**. And somebody has to build that furniture. If you go into the furniture industry, and you will find a lot of people are employed at the administrative level and at the assembly and construction levels.

Mr. **Fay**. I agree with you.

Mr. **Martinez**. Somebody has to do the decorating for those office buildings.

But if you are going to be limited in your thinking, if you are going to have tunnel vision, you don't let your mind tell you all of the potential that is created by jobs in construction.

Mr. **Fay**. I agree with you.

Mr. **Hawkins**. Mr. Owens.

Mr. **Owens**. Mr. Fay, I would like for you to help me get a fix on exactly how many unemployed people will be employed for the dollars spent in construction, using the construction programs. For example, you did mention the need to create jobs for the engineers and administrators and middle-class unemployed people, too. I don't want to deal with that.

I would like to deal with the figure for, say, the lowest paid category of workers. Assuming Government is involved in job creation as a last resort, only after the other factors and other forces in the economy have failed, the Government wants to create as many jobs as possible for the dollars that it spends, for the people at the lowest rung, what would be the average salaries in those categories in construction?

Mr. **Fay**. The average hourly rate?

Mr. **Owens**. Yes.

Mr. **Fay**. It varies all over the country. I would think the average of the lowest terminology we have, which is a common laborer—which I must say is a misnomer in this day and age because they do much more than just old traditional pick and shovel labor—I would say that probably the average wage is $9 an hour in the envelope, plus the welfare and pension. Don't hold me to that totally, but I would think that would be close to an average.

Mr. **Owens**. I was cochairman of a freshman task force on unemployment, and we came up with a figure of $12,000 to $15,000 per job per year. How realistic is that? That $12,000 or $15,000 must encompass fringe benefits and any administrative costs related to it. Each job should have no more than a package of $12,000 to $15,000 with it. Is that realistic for your industry?

Mr. **Fay**. It is realistic, probably, because what you have to remember is that the rates seem to be high in our industry, but the duration of employment or the average number of hours a year is somewhere probably between 1,300 and 1,500, as against a normal full-time employee of 2,080 a year. So when you multiply that by the rate, you are probably close to right.

Mr. **Owens**. It also seems from your testimony that it is impossible to create jobs for people at the lowest levels unless you pay for the creation of jobs at a higher level and pay for a tremendous amount of additional costs, equipment, supplies, et cetera. I think there are some statistical studies that were done by the Congressional Research Service which show that previously Government-funded public works projects have averaged between $50,000 and $60,000 per job. The cost of producing one job was between $50,000 and $60,000. Do those figures parallel with your experience? Are you familiar with that?

Mr. **Fay**. No; I am not familiar with that report. We certainly would research it for you. It just doesn't seem right to me, since we have nobody in our employ, even a full-time person, that gets——

Mr. **Owens**. That would not be wages.

Mr. **Fay**. All right.

Mr. **Owens**. To create the job, you have to spend $50,000 or $60,000 on the total—supplies, equipment, and so forth—the total project ended up creating a certain number of jobs but, in order for those jobs to be created, you have to have the supplies and equipment and the overhead.

Mr. **Fay**. That is right. But at that point, you are only dealing with the direct job that you created at point one. But there are many of the other jobs that Mr. Martinez alluded to that are created because you did that one job. Now, if you would like to factor those back into that, maybe that overall cost would change somewhat.

Mr. **Owens**. I am just making a comparison with what Chairman Hawkins said a few minutes ago about the creation of jobs in health and education. I can take the $12,000 to $15,000 and I know you can create one job for every $12,000 to $15,000, a fairly good job with a fringe benefits package in schools, in day care centers, in hospitals, and practically all of the money goes into the wages and the fringe benefits packages and very little goes for anything else.

I wanted to get some idea of when you are talking about construction, you are really talking about spending always far more money on overhead, equipment, supplies, et cetera, than you are on wages for the unemployed person.

Mr. **Fay**. I agree with you. But you have created that one job at $15,000 a year, and that is only the one job. It is important. We understand that. But overall effect—our whole system is based on growth in this country. You have to certainly do some investing in something that gives you that potential for growth. Certainly you need that on the one hand, but I think you need the other on the other hand to give you the overall picture and a viable economy which we certainly need.

Mr. **Owens**. Thank you.

Mr. **Hawkins**. Mr. Bartlett.

Mr. **Bartlett**. Thank you, Mr. Chairman.

Mr. **Hawkins**. I will call on Mr. Gunderson next. Mr. Gunderson just came in, so in terms of seniority, if Mr. Gunderson does not mind, Mr. Barlett will be first.

Mr. **Gunderson**. Go right ahead.

Mr. **Bartlett**. Thank you, Mr. Chairman.

Mr. Fay, I apologize for coming in late. As you know, we all have a number of committee hearings going on at the same time. But I have reviewed your written testimony, and I did want to be a part of hearing your suggestions.

I think the unemployment debate in this Congress is about how to best tackle employment opportunities, to create jobs, in the private sectors, permanent jobs, and then have a rollover effect, as you have commented on in your testimony, and have the effect of stimulating an increased number of jobs, not just the one job that is created, by additional jobs that are created by that program.

You have said in your testimony that you strongly recommended, as I read it, using the contracting out system rather than government employees. You stated that study after study, both commonsense as well as academic studies, have shown that, one, it costs significantly more for the Government to complete the same project using government employees than private contractors; but also, you suggested it would add more jobs to the total economy to use private contractors.

I wonder if you would care to elaborate on the significance in using private contractors in creating a multiplied number of jobs?

Mr. **Fay**. We certainly believe fully that contract construction is a much more efficient forced account. We have made many studies in many areas. I also happen to have a local political job where we are always in that fight. We have surveyed in our own little community the cost effectiveness of us doing jobs as compared to private work and, in almost all cases, the private bids have come in cheaper than our costs.

But by rebuilding, by contract construction, we employ the people, we are able to get more work, plus we employ the people in all of the ancillary businesses to supply us with the goods and services that we need to make an overall project. We feel that the jobs have to be created way down at the basics by private industry, jobs which are meaningful, jobs which are not terminal, jobs which give people a chance for upward mobility and all those things. Those are created in the private sector. We don't feel that they are created in the Government sector.

Mr. **Bartlett**. I have a second question. To tread into the area of prevailing wage, do you have any way of quantifying whether restriction of the extension of the Davis-Bacon Act of 1934 as it is drafted to apply to jobs funded by this bill, would allow more jobs to be subsidized?

Mr. **Fay**. As you know, AGC's position was they went along with reform of Davis-Bacon, but AGC's permanent position has been that the ultimate reform would be repealed.

Mr. **Bartlett**. Would repeal of the Davis-Bacon Act create additional jobs?

Mr. **Fay**. Certainly if the rates were lower, more jobs could be done because there would be more finances available.

Mr. **Bartlett**. I have a third question, Mr. Chairman, that is a factual question.

I think we all want to know if you have done any empirical studies or if there are any studies in progress with regard to the increased number of women in construction jobs. That is a concern that we all have as we approach this. I really wonder if your industry has done any empirical studies as to whether and how much of an increase in women in construction jobs there has been.

Mr. **Fay**. We have those figures, I am sure. Our staff could make them available. I know that we have made a very concerted and positive effort to bring the females into our industry. Before you came, I answered some of that. We have not been able to have the demand for the positions that we thought were available out there. I said before that we have had some demand in the electrical and carpentry and operating engineer classifications, but wet trades and some of those other positions, we just have not had the numbers even applying to come into our existing training programs in that field.

Mr. **Bartlett**. I would like to request that your staff provide the subcommittee with estimates as to the number of females newly entering the construction trades. I think we would like to have them.

Mr. **Bartlett**. Thank you, Mr. Chairman.

Mr. **Hawkins**. Mr. Gunderson.

Mr. **Gunderson**. Mr. Chairman, the line of questioning I was going to pursue regarding what the construction industry is or can do with regard to women, one of the higher groups of unemployed, I understand the chairman has already pursued that point. So I will simply take a look at the record and save everybody's time in that regard.

Mr. **Jeffords**. Mr. Chairman.

Mr. **Hawkins**. Mr. Jeffords.

Mr. **Jeffords**. This may lead to an innovative question.

One of the deep concerns I know all of us have on this committee is health insurance for the unemployed, especially the long-term unemployed. I wonder if you could give me an idea of how your industry assists those laid off, and how long generally health insurance applies to unemployed in your industry, and whether or not you have any thoughts as to what, if anything, industry should do or that Government should do to try to provide means of group insurance for unemployed, especially the long-term unemployed?

Mr. **Fay**. Most of our health benefits are based on hours of employment. They have to have a minimum number of hours, and it varies by plan. Long-term unemployed people have certainly run out of that. They have the opportunity to pay for it out of unemployment compensation funds or whatever they have.

Mr. **Jeffords**. Excuse me. To pay for a group policy?

Mr. **Fay**. No. To pay into their existing welfare plan.

We have taken up with one craft in our area and recognized the problem, and the employees that were working put 4 cents into a fund and we, the contractors, put some matching funds in there to try to help over the period. We are in the process of doing that now.

So there is no question that, with the high unemployment in our industry, many of our people have long since terminated being covered by health benefits. It is sad with the hospital costs at what they are, if they have any medical problems, they just create themselves a debt that is going to take them an awful long time of employment to be able to pay off.

Mr. **Jeffords**. Thank you. I would appreciate it if you would give some thought to that. Maybe your industry could give us some ideas of what, if any, role the Federal Government ought to have in trying to provide for group policies which are a lot cheaper than individual policies to help the unemployed.

One suggestion which has come from the Republican task force is that there be a fund made available through the Federal Government, derived from taxing above a certain cap the value of the fringe benefits received by employees and use it for the unemployed.

I don't ask you necessarily to react to it, I just wish you would give us a reaction in writing at some point in the future.

Mr. **Fay**. I will certainly have our staff check that for you.

Mr. **Jeffords**. Thank you.

Mr. **Hawkins**. Thank you.

Mr. Simon.

Mr. **Simon**. I didn't hear your full statement.

Mr. **Hawkins**. You might wish to make a statement of your own then.

Mr. **Simon**. No, thank you, Mr. Chairman.

I regret I was not here for your statement. We face a situation where we are talking now about a temporary jobs bill. We are beyond the point where we are going to let people starve.

Mr. **Fay**. Certainly.

Mr. **Simon**. There are a great many people who believe that unemployment is going to be a fairly permanent phenomenon in our society, that we ought to, as much as possible, encourage work in the private sector, but where we can't get people employed, rather than paying them for doing nothing, we ought to have projects. We ought to recognize that the demand for unskilled labor is going down and the pool for unskilled labor is going up. So we ought to, instead of having just a series of temporary things, we ought to plan something a little more like the old WPA.

Do you have any reactions to something along that line?

Mr. **Fay**. The Works Progress Administration, I guess that came on board in 1935 or somewhere in that era. There is no question about many of the things they did in the way of sewers and streets and railroads and little bridges and all those types of things.

I feel one problem with that system today is, since 1935 or in that era, the technological changes in our industry have really been tremendous. Those days were pick and shovel and the small truck and very small equipment. But the technological changes in how projects are built today certainly eliminate many of those jobs that they did in those days. You can't just go in and start putting in sewers that are 12 and 15 and 20 feet deep with a pick and a shovel anymore. In our congested areas, there is no more room at the shallow depths, and anything you put in will have to be put in deeper.

I certainly agree with your philosophy that we could have some work rather than just get paid for doing nothing.

Mr. **Simon**. If I could just interject, it couldn't be, obviously, just a complete duplication of WPA because, as you say, we are living in a different world. We are living in a world, for example, where there would have to be many more jobs geared to women than the WPA also.

But we have roughly 25 million functionally illiterate adult Americans, for example. We could be training them to read and write. We could be having day care centers. We could be planting trees. We could be doing basically what they did in the sense of turning a national liability of unemployment into a national asset and enriching the country in the process.

Does that make sense to you?

Mr. **Fay**. It makes sense to me. There is no question that we have to do something about functional illiteracy. But if it is not going to be done just by increasing deficits, then we have to have a viable economy on this hand so that we can take care of those problems which as a nation rightfully we must address. I have to agree with you.

My problem comes with some of that—I know that in our area, we see advertisements in the paper every night for minimum wage jobs and very few takers. I wonder how we address that problem.

Mr. SIMON. I don't know about where you are seeing those ads, but if you come to southern Illinois, and when we have one ad for one person at a Burger Chef, 126 people apply.

Mr. FAY. Yes.

Mr. SIMON. I was just shown a paper in Ohio where there are 200 jobs, and there is a line of over 6,000 people by 8 a.m. One man got there at 2 a.m., and he was 80th in line. Kroger opens a new store and there are over 3,000 people applying for jobs. We have a test for a new position as a clerk/carrier in a post office in southern Illinois and 1,600 people show up to take the test.

I know I hear these stories about people not taking jobs that are there. I am not saying there aren't places where there are people not taking jobs. But that is not the world I am familiar with.

Let me tell you about a man in Elizabethtown, Ill., that I met just a few weeks ago. His name is Erwin Price He is 40 years. He and his wife, Linda, came into my open office. They have three kids, 15, 13, and 10. He is on welfare. The welfare in Illinois is one of the more generous welfare programs, it pays a total of $1.75 an hour in terms of a 40-hour week. He said, "I am willing to do anything." I said, "Would you be willing to take a part-time job in Harrisburg 30 miles away?" He said, "I'll do it. I will hitchhike. I don't know that my car can make it, because the tires are so bad I am not even sure we are going to make it home." I said, "How do you heat your home?" It happened to be cold day. He said, "Well, we have a second-hand stove. My wife and kids and I go along the highway and pick up wood."

That is the United States of America today for a heck of a lot of people. I really believe we have to recognize that world and we have to do some things. That is why I am for Gus Hawkins' bill, but I am also for recognizing a longer problem that we have not faced up to. We are still living, in my opinion, in the land of make-believe, that just around the corner, there are going to be enough jobs for everyone in the private sector.

I used to be in business, and I am for the private sector being encouraged to do everything it can. But I think we have to recognize where we are today, and we are going to have to create some jobs out there to give people like Erwin Price a chance to be productive members in our society.

I took too much time, Mr. Chairman. Thank you.

Mr. HAWKINS. No, you really hauled us back, I think, to reality. Thank you.

Mr. Fay, if you care to comment, you may. I don't know whether you want to comment on that statement, but you certainly have that opportunity.

Mr. FAY. I am fully aware of those problems. I am from Pittsburgh, and we have those problems. We are fully aware of those.

But I think that maybe, somewhere along the line, we have to realize that there are two groups of unemployed people, the group that came from whatever the average unemployment was before it jumped 11 percent—you know, we have that group. That was a group that has always been used to working, and they don't understand and they can't be without a job. But then you have that other 6 percent that has been there as long as I can remember. I think there are two different types of unemployed people there, and I don't know how we address them both on the same terms. It is something that has always puzzled me.

I agree with you that, today, any opening you advertise, the line is long and people wait. I have seen people wait to get into our apprentice programs 2 and 3 days out in the cold and the snow, in just terrible conditions. I agree with you. We have to do something about them.

But I think we have to do something in both phases. We have to get that private sector cranked up and we have to have viable employment opportunities where somebody does something creative or constructive rather than just receive a check.

Mr. **Hawkins**. I think Mr. Simon was referring to individuals who have specific qualifications. They are not all drifters and alcoholics. They are just without jobs. Some of them are highly qualified individuals walking the streets and in bread lines and are homeless, and so forth. I think the question is what happens to them if the private sector, for one reason or another, is either unable or unwilling to employ them?

Looking at it as a business person, obviously an individual is going to employ the best that he can possibly get. But there are still to be some left over. So those are the ones that we have to be concerned about.

I take it that you have no disagreement with that.

Mr. **Fay**. No. I am just a small contractor, but I have over 100 people who have 25 years with my company and, right now, 60 percent of those are not working and haven't worked in the last anywhere from 6 to 18 months just because there are no jobs out there for us to bid, and the few that are there attract 20 and 30 bidders. The employment opportunities aren't there for us. We understand that it is difficult.

Mr. **Hawkins**. Mr. Fay, we appreciate that. Your presence here this morning shows your concern and, for that, we are deeply appreciative. Thank you for your presentation.

Mr. **Fay**. I thank each of you gentlemen for your time and patience. It has been very rewarding for us. Thank you.

Mr. **Hawkins**. Thank you.

The next witness is Mr. Thomas Donohue, secretary-treasurer, AFL-CIO.

Mr. Donohue, we are pleased to have you. You are not a stranger to this committee. We welcome you again. We look forward to your testimony.

Your entire statement will be printed in the record at this point and you may, in your own way, deal with the highlights.

STATEMENT OF THOMAS DONOHUE, SECRETARY-TREASURER, AFL-CIO, WASHINGTON, D.C., ACCOMPANIED BY RAY DENISON, DIRECTOR, LEGISLATIVE DEPARTMENT, AFL-CIO; AND RUDY OSWALD, CHAIRMAN, ECONOMIC AFFAIRS DEPARTMENT, AFL-CIO

Mr. DONOHUE. Thank you, Mr. Hawkins. Thank you for your welcome. I apologize for having been delayed earlier this morning. We had a meeting on the other side of the Hill at 8 o'clock this morning and we were delayed in getting over here.

Mr. Chairman, I am accompanied this morning by Ray Denison on my right, the director of our legislative department; and Dr. Rudy Oswald on my left, the chairman of our economic affairs department.

We are grateful for the opportunity to appear and to present the views of the AFL-CIO on job creation legislation.

I would like at the outset, Mr. Chairman, to pay tribute to you for the leadership that you have given consistently in the subcommittee, in the Congress and in the Nation on this issue, in the effort to move this Nation along closer to the full employment of our human resources. We certainly appreciate, as you well know, your key role in development of the Humphrey-Hawkins Full Employment and Balanced Growth Act of 1978. If that ever becomes honored in the observance and fully implemented, we will have full employment in this country.

You have demonstated that same concern and that same leadership in the introduction of H.R. 1036, the Community Renewal Employment Act. We fully support the bill. It is consistent with a comprehensive job creation that we have advanced.

The simple fact is that we need governmental action to spur direct job creation. It is not going to happen in any other way.

We have called, Mr. Chairman, for a program of $22 billion in fiscal year 1983, and $46 billion in fiscal year 1984, to reverse the current recession or depression to create jobs and to ease the suffering of the unemployed and the needy and to try to get the economy back on the road to that full employment that we all want. Jobs are very simply the No. 1 priority. There were still 11.5 million people officially jobless in February, another 1.8 million discouraged, 6.5 million forced to work part time because there are no full-time jobs available for them, and another 1.5 million workers who will be entering the labor force every year over the next 5 years.

The new figures, the February figures, shown clearly that the chance to get a job has simply not improved for American workers. That job picture is not going to improve this year or next year or the year after that, according to the Reagan administration's forecast or according to the forecast of the Congressional Budget Office. There is set forth in our testimony the time line of the estimates of both the administration and the Congressional Budget Office, neither of them hoping for a reduction of unemployment in this country below an official 8-percent level until the end of 1986 or 1987. That is a sad and pathetic commentary on the level of Government programs and Government management of the economy.

The fact is that what everybody is looking at is 4 more years of unemployment over 8 percent, and that is intolerable. I don't think the Nation can stand it. It will produce more social strain in the Nation than we have had. This committee, the Congress, and the administration ought to much more seriously address that problem and try to move us back to the appropriate levels of unemployment, indeed to the 4 percent, which is the law of the land.

The fact is that full employment is a long way away and is a distant dream for the Nation and for the unemployed. You know well the statistics, that 1 percent of unemployment is 1 million people, that the Nation loses $100 billion in goods and services for each such 1 percent, and the Federal Treasury loses $30 billion. That doesn't address at all the cost of that unemployment—that mental illness, the family problems, the social alienation and the increase in crime levels.

So we strongly support, Mr. Chairman, your legislation. We strongly support the concept that those jobs should be available for long-term unemployed individuals in high unemployment areas, and that priority should go to people who are unemployed 15 weeks or more. The activities envisioned in that legislation seem to us appropriate in terms of the repair, rehab, and maintenance of public facilities, the conservation and the improvement of public lands, public safety and social services and the other activities described in the legislation.

We agree that it should be aimed at areas of high unemployment and the funds ought to be allocated to the States and localities in proportion to the area unemployment. We think that a minimum of 85 percent of those funds should indeed be required to go into employee compensation.

We think that the persons employed under any jobs program should be treated exactly the same as other workers on the local community payroll or in the local area. We think that the new jobs called for under your bill could be started quickly as the communities could simply expand the existing programs which they have to undertake the new ones which are ready to go. Each community could use the funds as it deems appropriate, and the effects of the program would surely be positive.

In addition, Mr. Chairman, let me just mention briefly the other elements that the AFL-CIO suggests for the consideration of your committee in terms of the development of a full jobs program for America. We have offered our support, Mr. Chairman, for H.R 1036. We think further there should be accelerated public works with a $5 billion allocation in fiscal year 1983 and $10 billion in fiscal year 1984 for accelerated public works. We think there should be more low- and moderate-income housing, home mortgage relief and rental assistance for jobless workers, and there ought to be $5 billion for that in fiscal year 1983 and $10 billion in fiscal year 1984.

We think that youth training, Job Corps expansion and the other employment and training programs ought to be advanced, and there ought to be $1.5 billion assigned for that in fiscal year 1983, and $3 billion in fiscal year 1984.

We think that the problems of dislocated workers who were affected by plant closings and the major layoffs need more help to find their way back to regular jobs, and we think there ought to be $1 billion in fiscal year 1983 and $2 billion in fiscal year 1984 for that.

We think that the unemployment insurance benefits should be extended to protect the long-term jobless at the cost of $3 billion in fiscal year 1983 and $6 billion in fiscal year 1984. We agree certainly that health care for the unemployed should be addressed, and that $3 billion in fiscal year 1983 and $5 billion in fiscal year 1984 should be assigned to that.

Those proposals add up to $22.5 billion in 1983 and $46 billion in fiscal year 1984. They are detailed at some length in the attached statement

To pay for those programs we propose that the Congress close a number of loopholes which primarily benefit wealthy individuals in corporations. We think that the third-year individual tax cuts should be capped at $700, and that the future indexing of tax rates should be repealed. We think there are corporate tax changes which ought to be made which would further provide funds for the jobs program. We are proposing further, Mr. Chairman, that any increases in defense spending be modified, that they be at the low end of a 5- to 7-percent range, and that those spending increases should be paid for with a progressive surtax on corporate and individual income taxes, plus an additional tax on income which is currently sheltered.

That is the kind of a program that we think the Congress ought to address. That is the kind of a program we think that the Nation needs if we are to have a serious address to the problem of unemployment in America.

I think, Mr. Chairman, I would leave my opening remarks at that and try to be responsive to your questions.

[The prepared statement of Thomas Donohue follows:]

STATEMENT BY THOMAS R. DONAHUE, SECRETARY-TREASURER, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS, TO THE HOUSE LABOR SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES ON H.R. 1036,

March 15, 1983

Mr. Chairman, I appreciate this opportunity to present the views of the AFL-CIO on job creation legislation and to present an AFL-CIO program for jobs and fairness.

At this time I want to pay tribute to the fine leadership you have given as chairman of this subcommittee and in the Congress and in the nation in the long-term effort to move this nation faster and closer to full employment of our priceless human resources. We appreciate your key role in enactment of the Humphrey-Hawkins Full Employment and Balanced Growth Act of 1978. You have consistently demonstrated a sensitive, responsive, and responsible grasp of the moral, social, economic and political imperatives of full employment and job creation.

You have again demonstrated this grasp of the full employment imperative in sponsoring H.R. 1036, the "community renewal employment" bill to provide employment opportunities to long-term unemployed people in areas of high unemployment. We support H.R. 1036. It is consistent with the comprehensive AFL-CIO job creation program.

America needs governmental action to spur direct job creation. This action must be in a bigger and faster dose than the beginning step passed by the House of Representatives and the reduced companion program in the Senate. The road to recovery has to be paved with results, not minor tinkering and wishful thinking. Employment is what really counts.

The AFL-CIO is calling for a program of $22 billion in fiscal 1983 and $46 billion in fiscal 1984 to reverse the current recession-depression, to create jobs, to ease the suffering of the unemployed and the needy, and to get the U.S. economy on the path to full employment.

Jobs are America's number one priority -- jobs for the unemployed and jobs for new workers coming into the labor force. Millions of jobs are needed to get the nation back on track to healthy economic growth and full employment.

There were 11.5 million American workers officially jobless in February, another 1.8 million discouraged in the search for work who have dropped out of the labor force, and 6.5 million part-time workers who want full-time work and full-time earnings. Moreover, some 1.5 million workers will be entering the labor force each year over the next five years.

The new unemployment figures show clearly that the chance at a job has not improved for American workers.

While the February employment report indicates no change in unemployment from January, it reflects the continuing recession as the total number of jobs continued to decline and the average hours of work dropped sharply. At 34.4 hours, the average workweek is at its lowest level in the 19 years those records have been kept.

The job picture will not improve much this year or even next year or the year and years after that, according to the Reagan Administration's own forecast or that of the Congressional Budget Office. Even after five years unemployment will be higher than it was in 1979.

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Adm.	5.8	7.2	7.6	9.7	10.7	9.9	8.9	8.1	7.3	6.5
CBO	5.8	7.2	7.6	9.7	10.6	9.8	9.0	8.4	8.0	7.5

(1979-1982 actual as percent of civilian labor force; 1983-1988 projected by Administration as percent of total labor force including armed forces stationed in the U.S.A., by CBO as percent of civilian labor force. Each one percent of unemployment represents 1.1 million people))

For the next four years, unemployment will continue to average over 8 percent -- a level reached in only one recession year in the previous forty years prior to 1982. It will take until 1987 or 1988 for unemployment to return to the level of 1981, and the 1979 level of 5.8 percent is not foreseen in this decade.

When the private sector cannot provide enough jobs, the federal government must step in. This is the mandate of the Employment Act of 1946, re-affirmed in 1978 by the Humphrey-Hawkins Full Employment and Balanced Economic Growth Act.

Lost jobs, lost income, insecurity, human suffering, and loss of human dignity are the price American workers are paying for the disastrous, job-destroying economic policies of the last two years.

Full employment -- a good job at decent pay for every American willing and able to work -- remains a distant but persisting dream in 1983. In a sad commentary on the commitment expressed by the Humphrey-Hawkins law to reduce unemployment to 4 percent in 1983, unemployment is more than double that promised goal.

Each one percent of unemployment represents 1.1 million people. For every one million jobless workers, America loses the production of nearly $100 billion in goods and services, and the federal treasury loses $30 billion. Furthermore, unemployment generates tremendous social losses which include physical and mental illenss, family breakdowns, social alienation, and crime.

It is clearly in the economic and social interest of the nation to put Americans who are able and wiling to work into productive jobs which generate taxes, produce useful community services and community facilities, and stimulate the economy in communities with high unemployment.

Therefore, we strongly support the Hawkins "community renewal employment" bill H.R.1036.

This bill authorizes $5 billion in fiscal 1983 to provide jobs for long-term unemployed people in high unemployment areas. Priority for jobs would go to those workers who have been unemployed for 15 weeks or more. Eligible projects include (1) activities to repair, rehabilitate or maintain community public facilities, (2) the conservation and improvement of public lands, and (3) public safety, social services, and health activities necessary to the public welfare.

H.R. 1036 would authorize for fiscal 1984, and for years thereafter, funds to help provide jobs for 20 percent of long-term unemployed people, a formula that would produce about $10 billion for fiscal 1984 to create about 1 million jobs.

This "community renewal employment" bill is consistent with the job creation program outlined last month by the AFL-CIO Executive Council and therefore we give H.R. 1036 our strong support.

We agree that the new "community renewal employment" program should be aimed at areas with high unemployment, with the funds to be allocated to states and localities in proportion to the area's unemployment. We believe the easiest and quickest way to get federal money out for jobs in high unemployment communities is to distribute these funds to communities on a formula which is based on unemployment. A minimum of 85 percent of these funds should be required to go into employee compensation.

To assure maintenance of local government effort, the jobs should be over and above the number of people on the community payroll during the month of December 1982 and there should be prohibitions against substitution or displacement of regular workers.

The people hired under the new "community renewal employment" program should be treated exactly the same as other workers on the local community payroll with the appropriate equal employment opportunity safeguards for women and minorities.

The new jobs could be started quickly as communities could just expand existing programs or undertake new ones if warranted. It could be done quickly with a minimum of red tape. Each community could use the funds for the jobs it deemed most appropriate. The countercyclical effects of the program would be positive, with the money spent quickly by local sponsors. The funds could be targeted to the areas that need them most and the jobs would be real. We are not talking about make-work; we are talking about jobs that would accomplish needed community improvements.

Let me outline briefly the two-year $68 billion program endorsed by the AFL-CIO Executive Council. This program is spelled out in more detail in the statement attached to this testimony.

AFL-CIO Program

The AFL-CIO is calling on Congress to enact jobs programs, alleviate the suffering of the unemployed, and stimulate the economy. We are supporting the following specific programs:

* A community development jobs program like the Hawkins bill, H.R. 1036, to put long-term unemployed workers on local payrolls -- $5 billion in fiscal 1983 and $10 billion in fiscal 1984.

* Accelerated public works such as sewers, highways, bridges, mass transit, railroad, and other needed facilities -- $5 billion in fiscal 1983 and $10 billion in fiscal 1984.

* More low and moderate income housing, home mortgage relief and rental assistance for jobless workers -- $5 billion in fiscal 1983, $10 billion in fiscal 1984.

* Youth training, Job Corps expansion, and other employment and training programs -- $1.5 billion in fiscal 1983 and $3 billion in fiscal 1984. We congratulate this Subcommittee and the Congress for prompt action on the new youth conservation program, the American Conservation Corps Act of 1983.

* Dislocated workers hit by plant closings and major layoffs need more help to get back to regular jobs -- $1 billion in fiscal 1983 and $2 billion in fiscal 1984.

We appreciate your role, Mr. Chairman, and the role of this Subcommittee in enacting the Job Training Partnership Act of 1982 with its Title III program of aid for dislocated workers --but much more money is needed to make that program work as it should.

* Unemployment insurance benefits should be extended to protect the long-term jobless -- $3 billion in fiscal 1983 and $6 billion in fiscal 1984.

* Health care for the unemployed -- $3 billion in fiscal 1983 and $5 billion in fiscal 1984.

These proposals add up to $22.5 billion in fiscal 1983 and $46 billion in fiscal 1984 to create jobs, to stimulate the economy, and to ease human suffering.

To pay for these programs, we propose that Congress close a number of loopholes that benefit primarily wealthy individuals and big corporations.

Important tax changes would include a $700 cap on fiscal 1983 individual tax cuts and the repeal of future indexing of tax rates. Needed corporate tax changes include changing of the foreign tax credit to a deduction and the reforming of the investment tax credit. Furthermore, we are proposing that increases in defense spending be modified and these spending increases should be paid for with a progressive surtax on the corporate and individual income tax, plus an additional tax on income currently sheltered.

This is the kind of program the AFL-CIO is proposing to reverse the current recession-depression, to create jobs, to protect the unemployed and the needy, and to get the nation back on track to full employment. Without such programs, the Administration and the Congressional Budget Office figures indicate unemployment will remain close or above 9 percent through 1985 and above 8 percent through 1986.

Thank you, Mr. Chairman.

Statement by the AFL-CIO Executive Council

on

AFL-CIO Economic Program for Jobs and Fairness

February 21, 1983
Bal Harbour, Fla.

The AFL-CIO proposes an economic program to provide jobs for the unemployed and increased fairness in the tax and budget policies of the federal government. Our program would provide 900,000 jobs in 1983, 1.8 million jobs in 1984, a stimulus that would put us on the road to full employment.

Needed public services would be expanded, planned public works would be built, low- and moderate-cost housing constructed and rehabilitated, more youth trained and placed in jobs, and displaced workers assisted. Extended unemployment insurance would provide longer support for the jobless. There would be mortgage and rent payment relief as well as health care established for the unemployed.

The AFL-CIO program calls upon the Congress to reject some $19.4 billion in Administration proposed budget cuts for non-defense programs. The proposed cuts from such programs as job training, education, housing, Medicare, Medicaid, food stamps, and child nutrition should not be made in the face of the severe recession and its resulting hardships.

Federal employees should not be made the sacrificial offering for Reagan's budget slashing efforts. Fairness demands that federal employees receive pay commensurate with the private sector while the promise of decent retirement is kept.

Decimation of state and local government funds should be reversed to offset the many budget cuts, the transfer of federal responsibilities, and the harmful effects of loss of state revenue sharing and the freezing of local revenue sharing.

To pay for these programs, the AFL-CIO proposes that Congress close a number of tax loopholes that benefit particularly wealthy individuals and corporations. Important tax changes would include a $700 cap on the fiscal 1983 individual tax cut and the repeal of future indexing of tax rates. Needed corporate tax changes include the changing of the foreign tax credit to a deduction and the reforming of the investment tax credit.

The AFL-CIO is convinced that the nation can meet its national security needs without the 9 to 10 percent real increase in the defense budget requested by the Reagan Administration. We propose limiting the increase to real growth rates of 5 to 7 percent. (A number of members of the Executive Council have expressed the strong opinion that the increase should be held to the lower end of this range or below.) This approach would cut the defense outlays and authorizations by some $3 to $5 billion in outlays and up to $14 billion in authorizations in 1984 and would amount to $23 billion to $47 billion in outlays and up to $78 billion in authorizations for the years 1984 through 1986, according to the Congressional Budget Office. We propose that this 5 to 7 percent increase in real defense spending should be paid through a progressive surtax levied on the corporate and individual income tax plus an additional tax on income currently sheltered.

We reject the President's proposal to attain defense savings by putting a freeze on civilian and military pay and curtailment of retirement benefits. Curtailments and stretch-outs, particularly in the procurement of new weapons -- the area with the biggest increases -- rather than in defense readiness should be the means to attain defense savings.

The AFL-CIO program would increase the federal deficit slightly in the near term, but would reduce the federal deficit directly by some $148 to $151 billion in 1986, not counting the substantial indirect effects resulting from putting people back to work, as $30 billion is regained for the Treasury by each one percent drop in unemployment.

But in addition to tax and budget policies, the federal government also must pursue a more expansionary monetary policy as well as a trade policy that attempts to achieve fair trade.

For long-term revitalization, the government must pursue a reindustrialization program that involves business and labor. A national industrial policy supported by a new Reconstruction Finance Corporation should be set up to rebuild the nation's industrial base with loans, grants, guarantees, and targeted tax policies to strengthen investment in basic industries and new, high-growth industries. Special consideration should be given to areas of high unemployment.

The token jobs program proposed by the Reagan Administration in response to Congressional pressure is a recognition of the serious problem of unemployment. It is, however, only a small first step. We support a quick relief package to be followed by more comprehensive jobs legislation.

Today, 11.4 million American workers are officially jobless (10.4 percent) and 1.8 million have become discouraged in their search for work and have dropped out of the labor force. Unemployment has increased by 3.6 million since July 1981. Moreover, some 1.5 million workers will be entering the labor force each year over the next five years.

Despite some recent signs of an economic upturn, there are few predictions of an early end to high unemployment. There is even a danger that continued high interest rates will curtail the recovery.

Even after five years of projected improvement, unemployment will be higher than it was in 1979, according to the Reagan Administration's own forecast or that of the Congressional Budget Office:

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
Adm.*	5.8	7.2	7.6	9.7	10.7	9.9	8.9	8.1	7.3	6.5
CBO*	5.8	7.2	7.6	9.7	10.6	9.8	9.0	8.4	8.0	7.5

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*(1979-1982 actual as percent of civilian labor force; 1983-1988 projected by Administration as percent of total labor force, including armed forces stationed in the U.S., by Congressional Budget Office as percent of civilian labor force.)

When the private sector cannot provide enough jobs, the federal government must step in. This is the mandate of the Employment Act of 1946, re-affirmed in 1978 by the Humphrey-Hawkins Full Employment and Balanced Economic Growth Act.

It is clearly in the economic and social interest of the nation to put Americans who are able and willing to work into productive jobs which generate taxes, produce useful community services and community facilities, and stimulate the economy in communities with high unemployment.

A large-scale, adequately funded, anti-recession job creation program, had it been put into effect last year, would have very significantly reduced unemployment, eased the severity of the recession and also significantly cut the long-term federal budget deficit. Last year the President projected a federal budget deficit of $91 billion for fiscal 1983 and told the nation that a jobs program would be too costly. Now the Reagan Administration tells us the 1983 deficit will be $208 billion. If unemployment were cut in half, the federal deficit would be cut by more than two-thirds.

To meet the nation's pressing needs, the program the AFL-CIO is proposing would provide a large number of jobs for the unemployed, re-establish fairness in the tax system, bring some balance to defense needs and maintain essential domestic programs. We urge the AFL-CIO program as the best way to return to a healthy, vibrant economy.

AFL-CIO ECONOMIC PROGRAM FOR JOBS & FAIRNESS ($ BILLIONS)

This chart shows deficit reductions of $100 billion to $151 billion in 1985 and 1986 after the stimulus programs of 1983-84 to create jobs, alleviate the suffering of the unemployed and restore fairness to the budget and tax system. The 1983 deficit increase of $22.5 billion would be somewhat reduced by the secondary effects of employment gains. The 1984 deficit increase of $6 billion to $8 billion would also be reduced by employment gains and their effect on the budget.

Increased Revenues & Savings

(Fiscal Year ($ Billions))

Taxes	1984	1985	1986
$700 Cap -- third year	$ 6.0	$ 6.9	$ 7.4
Repeal Indexing	0.0	8.9	23.4
Trim "Savings" Exclusions	0.6	1.7	3.7
Phase Down Capital Gains Exclusions	2.5	5.6	8.1
Scale Back Estate & Gift Tax Exclusions	1.6	2.1	2.8
Foreign Tax:			
DISC	2.0	3.0	3.0
Deferral	6.0	6.6	7.1
Foreign Tax Credit	6.5	7.1	7.4
Investment Tax Credit:			
Depreciation Basis Adjustment	1.3	2.4	4.1
Reduce 10% to 7%	5.6	7.1	8.2
Limit Graduated Rates to Small Corporations	1.9	2.0	2.0
Oil & Gas Depletion & Expensing of Drilling Costs	7.2	8.0	9.5
(Subtotal)	$41.2	$61.4	$86.2
Defense Surcharge* (5-7%)	11-15	23-32	37-52
Savings			
Defense Savings** (5-7%)	5-3(14)	17-7(31)	25-13(33)
TOTAL TAXES & SAVINGS	$57 to 59	$101 to 100	$148 to 151

Increased Budget Outlays

Jobs & Recession Relief	Supplement to FY 1983 ($Billions)	1984	Direct Jobs (thousands) 1983	Direct Jobs (thousands) 1984
Comm. Development Supplemental Jobs	$ 5.0	$10.0	420	835
Youth Programs	1.5	3.0	215	430
Displaced Worker Program	1.0	2.0	-	-
Housing	5.0	10.0	75	180
Accelerated Public Works	5.0	10.0	170	340
Extended Unemployment Insurance	2.0	6.0	-	-
Health Care for the Unemployed	3.0	5.0	-	-
	$22.5	$46.0	880	1785
Rescind Proposed Budget Cuts in Non-Defense		19.3		
TOTAL INCREASED OUTLAYS	$22.5	$65.3		

* Progressive defense surcharge on individual and corporate income tax to pay for increases in real defense spending starting in July 1984 -- increases reflect 5%-7% real growth.

** Defense savings are outlays with authority in parenthesis. Outlays frequently reflect previous authorizations and continue or phase out program from earlier years plus day-to-day operations.

Background Paper

on

AFL-CIO Jobs and Stimulus Program

The AFL-CIO program for job creation includes community development supplemental jobs, accelerated public works, and a recovery for the housing industry. In addition, special action is needed for dislocated, minority and young workers, and all workers in all categories who require added protections during this time of disaster for the job market in America. Millions of jobless workers need extended unemployment compensation and emergency action to protect lost health care protection for themselves and their families.

JOB PROGRAMS

Community Development Supplemental Jobs -- We propose a large-scale community development jobs program with 100 percent federal funding for jobs directly on the regular, local government payrolls. Unlike previous public sector jobs programs, specifically the CETA program, these jobs would not be in a separate category. Measures would be included to prevent substitution for regularly employed workers.

In every community, there is work to be done that is vital to that community's economic health and public well-being but which has been neglected. Because of declining tax revenues, federal budget cuts and local government fiscal crises, many of these communities need help to repair, maintain, and rehabilitate essential public facilities and public services.

For this purpose, we urge a supplemental appropriation of $5 billion for fiscal year 1983 and an appropriation of $10 billion for fiscal year 1984.

Accelerated Public Works -- Investment in accelerated public works can provide jobs and essential infrastructure underpinning for private sector investment and economic growth. The Surface Transportation Assistance Act of 1982 is only a start in the right direction. For years this nation has lived off its public capital instead of replenishing it. We have shortchanged investments in needed public facilities related to health, education, energy, safety, solid waste removal, water supply, parks, highways, bridges, ports, railroads and urban mass transit. The result is a huge backlog of unmet public capital needs and a major impediment to growth and a return to the nation's full productive potential. The crucial role of public capital formation is too often ignored. Such public investment plays a key role in raising the nation's productivity and output. Experience in the 1960s and 1970s -- particularly in the 1975 recession -- demonstrates that accelerated public works can provide jobs quickly and economically while restoring economic growth.

For such a program, we urge a supplemental appropriation of $5 billion in fiscal year 1983 and an appropriation of $10 billion in fiscal year 1984.

Housing Construction and Rehabilitation -- In past recessions, housing was revitalized through such programs as below-market interest rate subsidies and rental assistance for low-income households. But the depth and length of this recession has seriously worsened the underlying problems of housing inadequacy and affordability. A program which provided support for the construction of 170,000 new housing units a year -- about the level of assisted housing starts in the 1970s -- could make a significant contribution to closing the housing gap. In addition, Congress should enact legislation to provide home mortgage relief and rental assistance for jobless workers in danger of losing their home or being evicted.

For these purposes, we urge a supplemental appropriation of $5 billion in fiscal year 1983 and an appropriation of $10 billion in fiscal year 1984.

Youth Programs -- Two million American teenagers are unemployed -- including half of all black teenagers in the workforce, and one of every four teenagers overall. Youth employment and training needs are too often slighted in programs aimed at older workers. Expansion of the successful Job Corps, establishment of a new youth conservation corps, and other employment and training projects are needed to alleviate the special problems of jobless youth.

The AFL-CIO remains adamantly opposed to subminimum wages for workers of any race, sex or age. A long history of studies and pilot programs have reached the same conclusion as then Secretary of Labor George Shultz did in 1970: there is no evidence of any appreciable increase in jobs because of a subminimum wage.

For the youth program, we urge a supplemental appropriation of $1.5 billion in fiscal year 1983 and an appropriation of $3 billion in fiscal year 1984.

Dislocated Workers -- Supplemental funds should be allocated to the new Job Training Partnership Act's program to help workers hit by plant closings and major layoffs. These workers need a variety of pre-layoff assistance and services, as well as training, to help them move back into regular jobs.

For this purpose, we urge a supplemental appropriation of $1 billion in fiscal year 1983 and an appropriation of $2 billion in fiscal year 1984.

Unemployment Insurance -- To replace the present supplemental benefits program expiring March 31, 1983, Congress should enact a permanent program of supplemental unemployment insurance, funded by general revenues, with a maximum duration of not less than 65 weeks. The 6.27 million jobless workers now on unemployment compensation are the most in the history of a system dating to 1935. Still, only half of the 12 million officially unemployed are getting any unemployment benefits.

Since July 1981, more than five million workers have exhausted their regular UI benefits and another one million long-term jobless workers have lost their extended benefits. Of the 900,000 unemployed workers getting federal supplemental benefits, 135,000 have already exhausted or will soon exhaust these benefits. The remaining 765,000 will run out of benefits in the coming weeks. The drastic cutbacks in the extended UI benefit program means that these extended UI benefits are available only in about half of the states despite catastrophic unemployment levels.

To meet the urgent needs of long-term jobless workers, we urge a supplemental appropriation of $2 billion in fiscal year 1983 and an appropriation of $6 billion in fiscal year 1984.

Health Care for the Unemployed -- Since health insurance coverage is usually tied to the workplace, Labor Department statistics indicate 50 percent of laid-off workers lose health care protection immediately or one month after layoff. Only 20 percent get coverage for three months or more. Since the average duration of unemployment is a little over four months, most jobless workers can expect to be completely without health insurance protection. At the same time, most unemployed workers are denied Medicaid coverage because they have not been poor long enough to meet the state eligibility criteria.

We urge the necessary authorizing legislation and a supplemental appropriation of $3 billion in fiscal year 1983 and an appropriation of $5 billion in fiscal year 1984 to assure health insurance coverage and health services for unemployed workers and their families.

In summary, we are calling for supplemental appropriations of $22.5 billion in fiscal year 1983 and an appropriation of $46 billion in fiscal year 1984 to create jobs, to stimulate the economy and to ease human suffering and hardship.

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The AFL-CIO Jobs and Stimulus Program

(Billions $)	Supplement to Fiscal Year 1983 (Billions $)	Fiscal Year 1984	Direct Jobs (thousands) 1984	Direct Jobs (thousands) 1984
Community Development Supplemental Jobs	$ 5.0	$ 10.0	420	835
Youth Programs	1.5	3.0	215	430
Displaced Worker Program	1.0	2.0	-	-
Housing	5.0	10.0	75	180
Accelerated Public Works	5.0	10.0	170	340
Extended Unemployment Insurance	2.0	6.0	-	-
Health Care for the Unemployed	3.0	5.0	-	-
TOTAL	**$ 22.5**	**$ 46.0**	**880**	**1,785**

Fact Sheet

on

Oppose Budget Cuts

In 1983, as in 1981 and 1982, the Reagan Administration is proposing drastic cuts in federal programs that help workers, elderly people and children, the poor and the needy.

The AFL-CIO calls on Congress to reject the President's $19 billion cut in non-defense programs from current service levels and to appropriate sufficient funds for protection of the unemployed, and the needy, and for education and training to get the nation back on track to full employment.

Reagan Administration budget cuts for fiscal 1984 strike at a range of key social and economic programs. For example:

- Job training and employment funds are to be cut.
- Unemployment compensation funds are reduced.
- Trade Adjustment Assistance is to be killed.
- Education, student loans, compensatory education for disadvantaged, vocational and adult education are cut.
- Housing programs for low- and moderate-income families suffer deferrals, stretchouts, and cutbacks.
- Federal employee pay and retirement benefits sacrificed.
- Aid for the poor is cut $12 billion in Medicaid, food stamps, child nutrition, Aid to Families with Dependent Children, and low-income energy assistance.
- Medicare and other health services take cuts.
- Revenue sharing with state and local governments is further tampered with.
- Railroad retirement increases postponed.
- Mass transit and other transportation programs are reduced again.
- Legal services for the poor are killed.
- Mine safety and health inspectors are cut.
- Environmental protection funds are drastically reduced.

Federal budget cuts in programs administered at state and local government levels have left those governments with inadequate resources to provide essential services. These federal budget cuts not only hurt people who suffered reduction of program services, they also placed additional burdens on already strained state and local government resources. There were transfers of program responsibilities to states in the form of consolidated block grants for a whole area, such as education and health, while cutting back on total funds to perform the functions, or increasing the amount by less than needed to match inflationary cost increases. Such actions were further aggravated by eliminating revenue sharing funds going to the states and freezing the amount of revenue sharing going to the cities, so that the effectiveness of such funds was decreased by inflation. The federal government has a responsibility to provide relief.

Background Paper

on

Taxes

The 1981 Reagan tax cut was irresponsible and unfair. It is damaging the economy and undermining fairness and equity in the nation's tax structure. In 1982, Congress, shocked and embarassed by the bizarre examples of tax avoidance and huge revenue drain, pushed through a complex array of tax changes and increases that restored some revenue and curbed some of the more blatant giveaways of the Economic Recovery Tax Act of 1981 (ERTA).

The 1982 Tax Equity and Fiscal Responsibility Act (TEFRA) phased out the previous year's safe harbor leasing gimmick whereby business bought and sold tax write-offs; it extended the principle of payroll withholding to interest and dividends, and it strengthened the minimum tax provision so that those with large amounts of tax sheltered income shoulder a little more of the nation's tax burden.

These 1982 measures restored only a small part of the revenue and equity lost in the 1981 "supply side" giveaway to the rich and the corporations.

($ Billion)	1983	1984	1985	1986	1984-1986
ERTA	$ -82.6	$ -130.3	$ -158.2	$ -202.3	$ -490.8
TEFRA	+17.3	+38.3	+42.2	+52.1	+132.6
Net Revenue Loss	$ -65.3	$ -92.0	$ -116.0	$ -150.2	$ -358.2
Percent of Deficit	31.4%	48.7%	59.7%	98.3%	67.5%

Source: Budget U.S. Fiscal Year 1984

Thus, $92 billion, or half (49 percent), of the $189 billion 1984 deficit can still be traced to the Reagan tax cut even after accounting for 1982's corrective action. For the three year 1984-1986 period the Administration's proposed cumulative deficit is $531 billion and its tax program, even after the changes made in 1982, will still drain $358 billion, or two-thirds of this projected deficit, from the Treasury.

These deficits, past and prospective, are obviously not the result of government overspending, or consciously stepping in to strengthen the economy. They are the direct result of trying to boost the economy through senseless and unfair tax cuts while sapping its lifeblood through sky-high interest rates.

The fairest and most sensible way to deal with revenue needs and equity issues is to complete the job of patching up the damage from the 1981 tax giveaway and to embark on a long-overdue program to close loopholes and put federal revenue-raising back on an equitable basis.

$700 Cap: If Congress does not act, on July 1, 1983, the third installment of the Reagan Administration's 5-10-10 percent tax cut will go into effect. Its cost will be about $30 billion. Ten billion dollars will flow into the pockets of the wealthiest and most privileged members of our society.

That $10 billion is just about equal to the amount of money the President would squeeze out of food stamps, Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and child nutrition programs over the next five years.

A family of four with income of $100,000 a year would receive $2,400 per year in tax reductions -- on top of $4,500 per year from the first two installments. In sharp contrast, a $30,000 working family would receive a cut of $340, and a family earning $20,000 would only get $175 from the July cut.

A tax cut of such size and distribution is unconscionable and the third installment must be limited. With an appropriate cap, no taxpayer would get more than $700. Capping the total tax reduction in such a fashion will have little or no effect on income under $45,000, so it does not risk reducing consumer demand or otherwise weakening the economy. The revenue gain would be $6 billion in fiscal year 1984, and total $21 billion for the three years 1984 thru 1986. At the same time, the income tax would become somewhat more equitable as the giveaway to those at the top is reduced.

H.R. 1183, a bill to limit the individual tax cut of 1983 to $700, was introduced February 2, 1983, by Representative Guarini of New Jersey with co-sponsors including Representatives Wright of Texas, Foley of Washington, and Gephardt of Missouri.

Repeal Indexation: Another way to raise revenues while strenghtening the economy is to repeal the indexation provisions of the ERTA that will take effect in 1985. An indexed tax code means a sharp limitation on the ability of the federal government to manage the economy. It amounts to a permanent and continuing erosion of the tax base regardless of economic need or circumstance. Repealing the indexation provision would save $8.9 billion in fiscal year 1985 and $23.4 billion in fiscal 1986.

"Savings Incentives:" The 1981 Act contained a number of provisions which would supposedly reward savers. These devices -- interest and dividend exclusions, individual and self employed retirement accounts and the like -- erode the equity of the tax structure by benefitting primarily those who can afford to save. Moreover, individuals and families in higher tax brackets receive greater benefits. Any small tax reduction that flows to moderate and middle income Americans is overshadowed by the competition for funds and the ratcheting up of interst rates that these devices cause.

Beginning in 1985, 15 percent of interest income that exceeds non-mortgage interest expense will be tax exempt up to $6,000 ($3,000 single). Repeal of this exclusion would save $.6 billion in fiscal year 1984, $1.7 billion in 1985 and $3.7 billion in 1986.

Individual Retirement Account provisions should be made more equitable and less costly by changing the off-the-top exclusion to a credit providing the same dollar amount to all "savers" regardless of their tax bracket.

Capital Gains: The 60 percent exclusion of profits from the sale of stocks, bonds, real estate or other capital assets and the total tax exemption of such gains when passed on to heirs fundamentally violate the concept of tax equity.

The 60 percent capital gains exclusion is an $18 billion a year revenue loser, and the top 5 percent of the nation's taxpayers get 60 percent of the benefit. Cutting the exclusion back to the pre-1979 50 percent level would raise $2.5 billion in 1984, and beginning on a 5-year phasedown of the exclusion in 1985, with adequate protection for homeowners, could raise over $16 billion in the 1984-86 period.

Estate and Gift Taxes: The 1981 Revenue Act essentially repealed the Estate and Gift Tax. Sharp cuts in rates and increased exemptions and credits cut the revenue from this tax so drastically that by 1986 this tax on the transfer of wealth will account for only one-half of one percent of federal revenue. The 1981 cuts should be repealed and the estate and gift tax should be restored to its former structure, which allowed $250,000 or one-half of the estate (whichever is greater) to be passed on to the surviving spouse tax free and provided generous credits for other heirs.

Scaling back estate and gift tax exclusions could generate $3.2 billion in FY 1984, $4.2 billion in 1985 and $5.6 billion in FY 1986.

Corporate Taxes: The corporate income tax should be reinstated as a source of revenue, equity and economic balance. Corporate income tax receipts for the 1983 and 1984 budgets are estimated at $35.3 and $51.8 billion respectively. At this level, the tax amounts to only 5.9 percent of total 1983 budget receipts and 7.8 percent of anticipated 1984 revenue. In 1980 the ratio was 12.5 percent, and in 1970 it was 17 percent. In 1960 -- before the enactment of depreciation speed-ups, the investment tax credits, and rate reductions -- the corporate income tax financed nearly 25 percent of the total federal budget. If the corporate income tax were to bear the same share of the federal tax burden in 1984 as it did in 1980, receipts would be $30 billion higher.

Tax subsidies encourage the overseas operations of U.S.-based multinational corporations. These preferences have eroded the tax structure, destroyed American jobs, and spurred the outflow of U.S. capital, technology, and know-how.

- Foreign Tax Credit: The present practice of allowing dollar-for-dollar credits against a multinational company's U.S. income tax liability is a loophole which encourage U.S. corporations to produce abroad. Foreign taxes should be deducted just like other costs of doing business.

- Deferral: The deferral privilege allows multinational corporations to defer U.S. income tax payments on the earnings of their foreign subsidiaries until such profits are brought home -- which may never occur.

- DISC: Elimination of the Domestic International Sales Corporation (DISC) which allows corporations to spin off income and profits into export subsidiaries in order to defer, perhaps indefinitely, taxes on export profits.

Ending these three foreign tax subsidies would raise $14.5 billion in revenues in FY 1984 and $48.7 billion in the 1984-1986 period.

The Investment Tax Credit: In 1982 Congress went halfway toward eliminating the practice of deducting, as depreciation allowances, costs that were already deducted as investment credits. If the job were completed and business were required to reduce the depreciation base by the full ITC rather than only one-half, $1.3 billion would be recaptured in FY 1984 and $7.8 billion over the three-year 1984-1986 period. Cutting the credit back from 10 percent to its previous 7 percent level would raise $5.6 in FY 1984 and $20.9 billion in the 1984-1986 period.

The "Small Business" Rate: Under present law, the first $100,000 of corporate net profit is taxed at a maximum of 26.75 percent. This low rate, justified as a device to cut taxes on small business, also applies to large corporations. Moreover, the largest corporations receive the lion's share of the tax break. Limiting this lower rate to smaller corporations (phased out between $100 and $200,000) would raise $1.9 billion in FY 1984 and $5.9 billion in the 3-year 1984-1986 period. It should also help the competitive position of smaller businesses.

Oil and Gas: High on the list of unfinished business is the elimination of the special tax loopholes for the oil and gas industry. Eliminating percentage depletion and the immediate expensing of drilling costs would increase revenue in 1984 by $7.2 billion and generate a cumulative revenue increase of over $24 billion during the 1984-1986.

Various tax proposals spelled out in the Reagan Administration's FY 1984 Budget would further erode the fairness, simplicity, and the productivity of the tax code.

Tuition tax credits are trotted out again and a new "Individual Education Account" gimmick is floated despite the deficits and the need to improve funding for educational opportunities accessible to all citizens, including the disadvantaged.

An estimated $135 billion in corporate tax reductions will accumulate during the 1982-1986 period due to the 1981 changes in depreciation allowances. This massive revenue giveaway did not generate the expected boom in investment, output or employment. Instead, the economy sank into the worst recession in the post-war period. Accordingly, there is no reason to provide further so-called "incentives" to the corporate sector.

The problem of urban economic decay will not be solved by or through the so-called enterprise zones which have been proposed by the Administration. These zones would do nothing to stimulate overall economic development. Instead, they would merely encourage business tax cuts, plant piracy and a reshuffling of workers and jobs.

The Administration proposes tax workers' health insurance premiums above $175 a month for a family and $70 for an individual. This will particularly hurt older workers, handicapped workers, workers with large families, workers exposed to harmful chemicals and other industrial hazards -- in fact, anyone with large health care costs.

The so-called "contingency tax," proposed by the Reagan Administration to assuage the fears of the financial community about monstrous deficits in the future, would probably have the opposite effect. Uncertainty about the future would be aggravated, not dampened, by such a "tax." It would not touch the billions of dollars that escape the tax base through inappropriate exclusions, tax shelters, write-offs of phantom costs, and overseas tax havens.

The federal government's fiscal problems -- in large part the result of tax injustice -- have ironically touched off an array of proposals for "simplification" and reform which in fact would shift even more of the tax burden to low- and middle-income Americans.

Such proposals include a national sales tax, a flat tax or measures to further diminish or eliminate the corporate income tax. In short, we reaffirm our support for a tax structure firmly grounded on the principle of ability to pay.

Summary Table

on

AFL-CIO Tax Proposals

	Fiscal Year ($Billions)			
	1984	1985	1986	1984 - 1986
$700 Cap - Third Year	6.0	6.9	7.4	20.3
Repeal Indexing	0.0	8.9	23.4	32.3
Trim "Savings" Exclusions	0.6	1.7	3.7	6.0
Phase Down Capital Gains Exclusions	2.5	5.6	8.1	16.2
Scale Back Estate and Gift Tax Exclusions	1.6	2.1	2.8	6.5
Foreign Tax:				
DISC	2.0	3.0	3.0	8.0
Deferral	6.0	6.6	7.1	19.7
Foreign Tax Credit	6.5	7.1	7.4	21.0
Investment Tax Credit:				
Depreciation Basis Adjustment	1.3	2.4	4.1	7.8
Reduce 10% to 7%	5.6	7.1	8.2	20.9
Limit Graduated Rates to Small Corporations	1.9	2.0	2.0	5.9
Oil and Gas Depletion and Expensing of Drilling Costs	7.2	8.0	9.0	24.2
	$41.2	$61.4	$86.2	$ 188.8

Mr. HAWKINS. Thank you, Mr. Donohue. We are pleased to have your statement.

We also, at this time, would like to welcome and pay tribute to Mr. Denison and Mr. Oswald, both of whom have been very helpful to this committee from time to time. We are delighted to have their presence with you this morning.

Let me just briefly ask two or three questions. I don't think it is necessary perhaps to have long answers. I think we know your views fairly well already, but if you would just simply clarify them for the record. Let me ask you to comment on the administration's proposed jobs package—it contains two elements of specific interest, I think, to this committee, one is the use of the voucher system for private sector employment, and the other is the proposed subminimum on wage for youth—so that there will be no question in this committee where you stand on these two issues. Could we have a brief statement?

Mr. DONOHUE. The shortest answer I could give you, Mr. Chairman, is we are opposed to both and think they are both counterproductive. The unemployment insurance system is not a program of Government assistance to employers, it is intended to provide assistance to the people who pay into the system to provide their own insurance in their unemployed days. And we don't think it should be turned into a subsidy payable to employers through a voucher system.

On the subminimum wage, our views have been amply documented before this committee and every other committee that has raised the issue. We simply believe that this Nation ought to establish a decent minimum as a floor for the payment of workers. It has done that, and we don't think we should change that minimum by the creation of a subclass of workers of whatever age or for whatever period of months. We don't think people who are currently employed in service industries, in millions and millions of service industry jobs in this country at the minimum wage should now be subject to having those wages reduced for a summer period, or should be subject to being replaced by younger workers for that period.

Mr. HAWKINS. To be a little more specific with reference to some of the pending bills before the committee, many communities do contract out the repair and rehabilitation work to private contractors. Could you express an opinion on whether this is appropriate in a jobs proposal at this time, to include that as an activity that would be allowable?

Mr. DONOHUE. As I understand your bill, Mr. Chairman, the rehab and repair work which is proposed is the kind of work which is currently done in-house for the most part, or not done at all, and is unlikely to be the subject of contracting out to private corporations. Therefore, I assume that the work provided is not going to deprive any private employee or private contractor of work which would normally flow into the private sector.

Mr. HAWKINS. Would you go beyond that, however, in principle in considerating a longer range aspect?

Mr. DONOHUE. We have proposed, Mr. Chairman, an accelerated public works program which we hope your committee would consider. We believe that you need a balanced program which is going to provide work opportunities for all of the unemployed people in our Nation. There are some people currently unemployed who will be assisted by a community renewal program and who will be able to find the assistance they need in that program. There are some who would be assisted by accelerated public works, some by an increase in housing starts, some by the assistance we proposed in the youth worker or the displaced worker program. I think you need the mix of programs in order to help people.

I don't think there is a necessary conflict, however, in the proposal that you made to do basic repair and rehab, maintenance work, in-house, if you will, or in using public funds or public employment. I don't think there is any necessary conflict between that and the traditional contracting out of some work by governments.

Mr. HAWKINS. In other words, you are speaking more in terms of a jobs package than a specific jobs proposal tailored to the needs of different individuals who happen to be unemployed?

Mr. DONOHUE. That is right, Mr. Chairman.

Mr. HAWKINS. I have one final question. With respect to the inclusion within a jobs proposal of jobs that may be related to public service, there has been a tendency for the administration to label everything that they do not propose as make-work jobs and obviously to include in this category public service jobs.

However, it is interesting to note that, yesterday before the Senate, testimony included a proposal to provide that welfare recipients would be forced into work and to work labor situations and any wage that might be offered. In other words, there is a tendency to believe that you have to force people to accept jobs that they are perfectly willing to accept anyway in the first instance. But this did include public service, which the President has openly condemned, and all of the proposals before this committee as being make-work public service jobs.

Do you see any objection to any jobs proposal that will deal both with public works—whether they are heavy or light—as well as other activities of the service type, particularly in terms of health and public safety? In other words, certainly in these vital fields, do you see the desirability of making sure that these are included as well as the type of jobs that are ordinarily referred to as public works or construction jobs?

Mr. DONOHUE. Surely. Mr. Chairman, I think that—from my part, and I think it is a view that would be shared by every unemployed worker—I have never seen a job I didn't like. Others may label it make work, but I propose that that is what the Nation ought to be doing at this point, making work for people.

I can't imagine a job which anybody, with any commonsense, would fashion which doesn't have a productive result. I think the make-work label is the successor and used by the same people who describe other earlier job efforts as not being worthy because they promoted dead-end jobs. I said in that context that I happen to be a person who was raised by a father who had a succession of dead-end jobs, and we thought we grew up in a rather nice family.

I think that make-work jobs ought to be exactly that. We ought to make work for people in this country so that they can raise their families. I see no sense at all to those kind of shibboleths. I think they just clutter up the argument and clutter up the discussion needlessly.

Mr. **Hawkins**. Finally, I would ask you whether or not you have been called in or have you had the opportunity of advising the administration or the Department of Labor on any of the pending legislation before us today, either in the Senate, the House, or any other arena?

Mr. **Donohue**. I suppose the easiest answer is no, we haven't, Mr. Chairman.

Mr. **Hawkins**. When I say you, I am referring to the AFL-CIO labor movement.

Mr. **Donohue**. It has been a long time since the views of the AFL-CIO were solicited in terms of any Labor Department program or any program to advance the interests of workers in this country. There has been a significant lack of that in this administration.

Mr. **Hawkins**. I don't intend this as an embarrassment, but have you been consulted by the Republican task force? I understand they created a task force recently on which our distinguished colleague, Mr. Jeffords, served. Do you have any great exposure to great task force also?

Mr. **Donohue**. We have had none up to now, Mr. Chairman.

Mr. Denison notes that Mr. Erlenborn has asked us to meet with the task force members, and we intend to do that.

Mr. **Hawkins**. Thank you.

I was asking that question because I am yielding next to Mr. Jeffords. Mr. Jeffords.

Mr. **Jeffords**. Thank you very much.

Just so you don't feel that it is anything personal, we haven't been asked by the administration either. So I don't want you to feel that it is anything against labor.

Mr. **Donohue**. I do feel better.

Mr. **Jeffords**. That is a problem we both have.

But I would, in fairness to the task force, say that we did write a letter to you to which we have not had a response. So that, I guess, puts us back to square one on that. Would you like to respond to that?

Mr. **Donohue**. Mr. Denison is noting that we did respond to you letter.

Mr. **Denison**. We did respond. We did get a reply from Mr. Erlenborn saying that he would be happy to hear our views. I think we got that letter 4 or 5 days ago.

Mr. **Jeffords**. OK.

Mr. **Denison**. We did send materials earlier that came out of the midwinter council meeting.

Mr. **Jeffords**. Fine. I appreciate that very much.

Mr. **Hawkins**. We cleared that up.

Mr. **Jeffords**. Good.

I would say, first of all, that I would like to commend Mr. Kirkland for really raising to the forefront the cost of doing something significant for the unemployed, the real high cost of it. I think that much of what we have done so far this year, and probably what we will do next year, in the job creation area, due to the limitations created by the deficit is going to be more symbolic than actual.

I think it was important that he raised the extent of the problem in terms of dollars. But, unfortunately, we have to face the deficit. I would say that I am looking—and I know our task force is—to what we can do with the very limited dollars we have, that is, that the Budget Committee will allow us to spend, to try to target it in areas where we can do something significant.

The area I would like to discuss is dislocated workers. First of all, you recommended $1 billion in fiscal year 1983 and $2 billion in fiscal year 1984. My discussions with the administration on the extent of the money they could use in this area indicates that it would be substantially less than that for 1983 because of the start-up problems. My indications were that the best they could hope to spend was somewhere around $100 million in the time left. We also have problems with the State match, et cetera.

I wonder if you could comment on how you feel we could use a $1 billion in fiscal year 1983, or is this a figure which is carried forward when originally made which is no longer a valid figure.

Mr. **Donohue**. Dr. Oswald has just reminded me that we had made specific recommendations earlier, and I would like him to speak to those.

I would only note that the amount one can do is often dictated by the will one brings to the effort. I would hope that the comment of anyone in the administration that they could only use $100 million is not generated by a lack of will to spend, but, I suppose, by their perception of what is possible. We had made specific recommendations though.

Mr. **Oswald**. A group of our unions, the autoworkers, the steelworkers, the garment unions, had made specific national recommendations. Beside the money that is earmarked for the States, there is in reserve for the Secretary that could be spent on when there are large numbers of plant closings—both scheduled for the future, plus a number that have already taken place—$100 million is earmarked alone in International Harvester along some of the discussions for just handling plant closings in that one industry.

Mr. **Jeffords**. Over a period of time?

Mr. **Oswald**. Over a period of about 1½ years in that particular situation. But that is only one firm out of the many plant closings that are taking place today.

The $1 billion clearly could be spent if the money were set forth. You were talking about the matching funds. As you know, under title III, unemployment insurance benefits can be considered towards the matching funds that are being used for doing part of the program. We think that getting the program underway quickly would allow some of that State unemployment insurance benefits to be considered as matching funds before the people exhaust their benefits.

Nothing has been done to even put into effect planning processes where we know plants will be closing a month from now or 2 months from now to provide advance help for the people in terms of retraining opportunities, counseling, new job search efforts. The administration, in our view, has been very derelict in terms of moving forward in this area.

Mr. **Jeffords**. Another problem that I foresee, and I wonder if you could give me some thoughts on how to correct it, is the provision that in some States the unemployed worker who is dislocated, is limited in his ability to participate in these programs and still be considered available for work so that he can collect his benefits—I know we have some provisions in the law to handle this, but I understand there are still some barriers in many States to it.

I wonder if you could give us any idea of what we ought to do to correct that, if anything, in the law?

Mr. OSWALD. We have long advocated national standards for unemployment insurance benefits. If legislated, some of those, in a backhand way, as you have extended some of the Federal extended benefits, will make the elements more difficult. For example, the President currently is suggesting eligibility for extended benefits is that you meet that 30 weeks rather than 20 weeks out of work. You could establish a national standard that engagement in a recognized training program will not make anybody ineligible for unemployment insurance benefits. As you indicated, a number of States already allow that, but other States do not.

Mr. JEFFORDS. I guess I will have to ask the staff whether our committee can do that or whether we get into the Ways and Means problem. We can't, I am afraid. But I agree that that ought to be done.

I have a number of other questions, Mr. Chairman. I will forgo them, because I know that now we have developed this dialog and cooperation, I will be able to get them through direct communication. I know there are a number of other members wanting to ask questions.

Mr. HAWKINS. You are the delegate to the Republican task force now.

Mr. Simon.

Mr. SIMON. I have a couple of comments, and then a couple of questions.

One is that I would like to underscore your point that new jobs can be started quickly. It doesn't mean we don't do those things that take more time, because we need those things, too. But the idea that comes along regularly that if we have a jobs program, it isn't going to have any impact for years just is not true.

The second point you make—and you made it as just a minor point on the revenue side, and this has nothing to do with the jurisdiction of the subcommittee—but this indexation thing is a monster that is coming down here shortly. This subcommittee and no other subcommittee of Congress is going to be able to talk about doing anything if we erode the revenue base of this Federal Government. It means inflation and it is not a liberal-conservative issue. Arthur Burns, Paul Volcker, all kinds of people warned us against this.

I have two or three questions, if the chairman is patient with me. You talk about $22.5 in fiscal year 1983, $46 billion in fiscal year 1984, and then you listed a group of revenue producers. Do they match that impact and, if they in fact match that, then aren't we talking about—because we are talking about then reduction in unemployment, growth in the gross national product—aren't we in fact talking about lower deficits rather than larger deficits as a result of that program?

Mr. **Donohue**. Yes. There is attached to our economic program, about page 4 of that document, a chart which I would commend to everyone's attention which lists our proposals for increased revenues and savings and matches those against the increased budget outlays of the jobs program, and just about recoups on that basis the cost of those programs.

Without reference to the point you make that the job creation itself then generates the additional revenues, $30 billion for every 1 percent of unemployment reduction, that again would be an add-on to income and a diminution of outgo and a reduction in deficit, yes.

Mr. **Simon**. I think that point has to be underscored, because there are a lot of people who think that when you talk about jobs programs, we are talking about increases to Federal deficits. I have, and I have discussed this Ray Denison, a bill which is not an immediate jobs bill, but something that would be a long-range thing, a kind of a floor. Nothing is in concrete, and I have talked to Ray and Ken Young about an amendment that I think is an excellent amendment that will improve the bill.

Aren't we at the point where, one of these days, we ought to say to the American people, "We are going to guarantee you a job opportunity." Isn't that the next great advance this country ought to be making one of these days?

Mr. **Donohue**. We thought we had come very close to that with the Humphrey-Hawkins' Full Employment and Balanced Growth Act. We think the language of the 1946 Full Employment Act said that, but it was never implemented any more than the 1978 amendment has been implemented.

Yes, we believe very strongly there is a governmental responsibility to say to every citizen in this country, "We will create the economic conditions and, failing that, the necessary supplements to provide a job for every citizen who wants to work."

Mr. **Simon**. I have a final question that just grew out of the question that my colleague from Vermont asked, and that is on unemployment compensation.

I see two things happening. I see, number one, businesses in Illinois are using it as an excuse—and I think, frankly, it is an excuse—that unemployment compensation rates are so high that they are going to build a factory in some other State. Second, I see the State of Illinois now borrowing $2 billion from the Federal Government for our unemployment compensation.

Wouldn't we be better off having national unemployment compensation rates and standards and not have this flight—or an excluse for flight, I think it more of the latter than the former—of people from one State to another, borrowing money from the Federal Government and all of this, if we just had a national unemployment compensation program? Doesn't that make sense from the viewpoint of labor, business, everybody.

Mr. **Donohue**. We have argued for many years, Mr. Simon, that there ought to be, one, a Federal system and, failing that, Federal standards, so that we would have a uniform system 50 States-wide that would tax equally, reward equally and would at least take that element out of the argument of those who search for argumentation as to why they want to move a plant. We would at least remove that element from consideration.

Mr. SIMON. I thank you, Mr. Chairman.

Once this bill is out of the way, I hope we are going to take another look at some long-range things that will implement the Humprey-Hawkins bill and really put in solid concrete terms some kind of a base for the American people that we don't have there now.

Thank you.

Mr. HAWKINS. Thank you.

Mr. Bartlett.

Mr. BARTLETT. Thank you, Mr. Chairman.

Mr. Donohue, like Mr. Jeffords, I very much appreciate the opportunity to continue the dialog. I think it is important that we tackle the economy—11.4 million people out of work and suffering—and try to hasten economic recovery. As the economy begins to recover, I think it is incumbent on Congress to do two things. First, to find some ways to speed up the recovery, and you touched on that in your testimony, that to continue 8 to 10 percent unemployment in to 1986 or 1987 is not acceptable. But also, we should make sure that we don't do things that would stop that recovery and throw us back into an even worse recession.

I suppose that, by way of comment, there is a fundamental disagreement that pulling $68 billion out of the private economy where jobs are largely created could in any way be a constructive stimulus on top of a $200 billion deficit that is already there. Such fiscal imprudence carries with it the danger of throwing us back into the same kind of economic troubles that caused the 11 million people to be out of work.

I wonder if you could discuss whether you think a $5 billion temporary jobs program would be a drag on the economy. No matter how you take the money out the economy, it is going to take it out of the private sector, the pockets of your members, and put into the pockets of someone else. Would it be your contention that that would so stimulate the economy as to pay for itself?

Mr. DONOHUE. The increased revenues which we propose—I guess revenue enhancement is the current phrase—would put another $41 billion into the coffers of the Treasury, and the jobs program in 1984 would cost $46 billion.

I think you are prefectly correct. You pay for it one way or the other. We pay for it in deficit and high interest now. Lane Kirkland was speaking earlier this morning at the Senate Finance Committee and said that we would just as soon pay it to the Government as pay it to the banks in interest rates. We don't think there is any net addition to the country of those deficits running up interest rates and all of us paying higher interest payments and not having that money available, because there is no apparent sign that that money is available for job creation. We would prefer to see it come into the Federal Treasury and be available and be used for job creation.

Mr. BARTLETT. That becomes the second part of my question, I suppose. I asked the question because I think that it is essential in 1983 and 1984 that this Congress and your members begin a dialog to be certain that we do things that would take those 11.4 million people out of the unemployed rolls and put them back to work. I think that, by discussing it, we can.

But it seems to me one of your proposals was to repeal tax rate indexation. If there were ever an issue for your members it should be tax rate indexation. Upper-income Americans, those already in a 50-percent tax bracket, are not particularly benefited by indexation. But for a guy who is struggling in a 35-percent or a 40-percent, a man or woman in a 40-percent marginal tax bracket—that means 40 percent of his overtime pay is taxed away. Indexing the tax rates for inflation means that he won't be pushed into, 2, 3, or 4 years, hence, into a 50-percent tax bracket merely because of inflation.

I just wonder aloud with you what kind of response you would have to your members who, without indexing, are pushed into higher percentages of their wages being taken away in taxes in order to fund a continued increase of the size of the Government. How do you respond to your members who wonder why they should be given additional tax increases over and above the taxes they already pay now.

Mr. **Donohue**. I think that the only answer, Mr. Bartlett, is that they are going to pay the cost one way or the other. If there is some imagined benefit by the indexation—and I don't think it reaches the proportions you described—some minimum marginal benefit to them from the indexation, they will pay for it very dearly in a reduced governmental ability to manage the economy. We will pay for it in deficits, we will pay for it in interest rates, we will pay for it in unemployment. The marginal benefit that is available to a worker is simply not going to be outweighed by that.

I share your view that we need the dialog to fashion a program which would at least begin to lead to full employment, and try to address the employment issue as if it were more important to us than simply a lagging indicator. We take care of everything else, and it will come along later on down the road. If we could establish such a dialog, you might, for the first time in this country, establish the primacy of work, and then let the other conditions adjust to that. We always deal with it, in the words of the President, as a "lagging indicator." It will take care of itself if we take care of all these other elements.

There are an infinite number of variables. We deal with all the others and let this one adjust itself. If we dealt with this one, some of the other variables could be adjusted.

Mr. **Bartlett**. Mr. Chairman, if you would indulge me, I have one more factual question. I suspect that the subject of indexing will be decided in some small part by the debate that will occur in the Nation's union halls. I think Congress will begin to receive that input over the next 12 months.

My question deals with the subject the chairman raised on the costs associated with private contracting versus government employees particularly construction work. I wonder if the AFL-CIO has a position as to a preference between the two? I thought I heard you say that there is room for both in the program, but one of them is going to get $10 billion and the other is going to get $1 billion, or they are both going to get $5 billion. How do you fall out on preference as to what would most benefit the unemployed workers in this country between private contracting and government employees doing the same jobs?

Mr. **Donohue**. You offer me Hobson's choice. I heard your earlier question of the gentleman from the Associated General Contractors. I just don't think that there is any way to answer that philosophic question unless you create a government corporation to do construction work, give it 20 years to establish itself, and then measure its performance against a 20-year-old private sector construction company. Otherwise, they have untypical models that you are trying to compare.

Where government has performed functions in this country, it doesn't show any inherent inability, in my view, to function perfectly, competitively or as efficiently as the private sector. I think there are significant examples of that.

In terms of the job split, we think that, in terms of this legislation, it is a perfectly appropriate piece of legislation and perfectly appropriate to talk about creating right now public sector jobs for repair service, rehab, and for all of the other things such as the public service, and the public health issues that are addressed by this legislation. We think it is equally appropriate to address accelerated public works programs, housing assistance programs, and so forth, which would provide employment for private sector construction workers.

We think we need that kind of balance. If we only do one thing, then you may advantage one group over another, you may provide greater opportunities for one group of employees over another. If all you did was accelerated public works, you would probably discriminate inordinately in terms of job hopes against women in the economy. If you fashion a program which only addresses one other piece, you are discriminating against some other groups of workers. That is why we have constructed and argued for a balanced job creation program.

Mr. **Bartlett**. Thank you, Mr. Chairman.

Thank you, Mr. Donohue.

Mr. **Hawkins**. You might have cited the post office as a prime example. One of the greatest mistakes we made around here was so-called turning it over to the private sector. Now you can't get mail between my office in Washington to Los Angeles in less than one week's time. You can't even complain to anybody about it. It is against the law to even complain.

Mr. **Donohue**. Mr. Chairman, that was an innovative idea. That is what happens with innovative ideas.

Mr. **Hawkins**. I hope you can do something about that.

Mr. Kogovsek.

Mr. **Kogovsek**. Thank you, Mr. Chairman.

Mr. Donohue, thank you for your statement. It was a very enlightening statement. I must say that I concur with it.

I think we are all aware of the fact that was true before Mr. Reagan became President and it is true today that you can't give everybody a large tax break on one hand, as has happened over the past couple of years, have this tremendous military build-up, as the President proposes, and balance the budget all at the same time.

When the President was campaigning, he was complaining about a Jimmy Carter $59 billion deficit. I think we would all be happy if we could get back to that $59 billion deficit today.

Be that as it may, we are going to have some difficult times in front of us trying to turn this economy around. I appreciate the suggestions that you made, especially as I look at your page 4, as far as your tables are concerned. I think you propose ways to come up with the money that you propose to spend on future jobs programs, whether it is phase 2 or phase 3. We are going to have to be talking about a phase 3 just as soon as we are through with phase 1 and phase 2.

I think your phase 3 program is pretty much in line with some of the things that I would like to do as far as permanent jobs are concerned, as far as public works projects are concerned, and so on.

I see that, in your statement, you indicate the acceleration of public works such as sewer, highways, bridges, mass transit, railroad, and other needed facilities. How do you proposed that we go about achieving this goal when you suggest those kinds of programs?

Mr. DONOHUE. I am sorry. I am not sure I understand your question. Was it how do we get to fund the accelerated public works programs?

Mr. KOGOVSEK. Pretty much, yes. That is part of my question.

Mr. DONOHUE. I think that there is this entire debate about the infrastructure of our country and its destruction or its falling apart, the decaying base of our public infrastructure.

Mr. KOGOVSEK. Let me see if I can clarify that a little more. Should we be simply putting more money into existing public works projects that we have ongoing, or should we establish new programs to insure that the unemployed will be the ones that are hired for decent jobs?

Mr. DONOHUE. I think we would obviously argue that some of the things which are ongoing ought to be maintained. But the creation of new public works will provide a greater measure of new employment for currently unemployed.

I would hate to try to draw a line for you between which of the current public works activities ought to be discontinued, but I think that can be worked out in concert with the local authorities who will, under that kind of a program, be making decisions as to what is most appropriate in their area.

Mr. KOGOVSEK. Do you feel as I do that the States themselves and local governments have a role to play as far as these new public works jobs are concerned?

Mr. DONOHUE. Sure. Mr. Jeffords was concerned about the speed with which we could do things. That speed is in direct relationship to how much of a role you give to the local authorities. They have the list, and they know what is ready to go. The expeditious way of getting public works underway is to give a decent role to the State and local authorities in terms of determining priorities to those budgets.

Mr. KOGOVSEK. I have one last question, Mr. Chairman.

Mr. Donohue, can you describe to us now the types of skilled laborers which are unemployed at this time? How do we deal with the problem that we are all aware of? We have steelworkers who are unemployed, and a lot of those people, it has been said over and over for the past 3 months, are never going to go back to work in the steel mills. Let's hope that a good portion of them do.

But there are still going to be those people who have worked in the steel mills for 20 or 30 years and they are still relatively young. Where are we going to put those people. There is going to be some competition out there, evidently, between the building trades and the steelworkers again.

Mr. DONOHUE. Sure. And there is, as Mr. Fay testified, high unemployment among our construction workers in this country. There is high unemployment these days among almost every group of workers.

The subject of retraining, of helping the unemployed who don't have a high prospect of returning to those industries—and I would hesitate to make a guess as to whether that is steel, auto, or whatnot, but I guess that the generally accepted wisdom is that our auto and steel industries will not be able to come back to the predepression/prerecession levels of employment.

I don't know if I accept that totally. I think that as the Nation expands, those industries, if our economy is properly managed, are going to be necessary. We are never going to be an information society. The innovative thinkers keep telling us that someday that will replace all of the hard work in this country, and that is not going to happen. We will always need those basic industries.

The extent to which they come back is anybody's guess. Surely the extent to which steel comes back is dependent upon the extent to which steel is willing to reinvest and the extent to which the Government then reinvest in new plants and equipment to make that industry competitive again.

In terms of the people, in whatever industry, who would not be returning or where job destruction takes place, job dislocation takes place, we simply need a national program of job training, of job placement, of assistance for relocation for people, counseling, all of the services that you or I would need if we were living in Flint, Mich. today and looking at the difficult prospect of finding employment. That is not going to happen on the cheap.

One of the things that is most distressing to me is that, in recent years, we have all developed the concept that somehow Government can be run on the cheap and the training programs can be run on the cheap and that everything can be done that way, and it can't. We are going to have to pay the taxes to do it, and the Government is going to have to spend the money to do those things.

We now are into a job training program, the Job Training Partnership Act, of very limited scope, which is going to be available for people who can somehow manage to keep body and soul together while they take their training. The administration heralds that as providing more training slots than any before in history. Of course, but you have to be able to provide your own subsistence to be in that program. God help those who can't, because then they can't take the training, they have to be out there looking for a day's work.

The way to approach the immense problems that we have, and those problems run through this century in terms of employment and job training and the retraining of people, the way to approach it is to very seriously and soberly assess the future growth of our industries, where we are going to need workers, how are we going to train workers, how will we move men and women from one part of the country to another, what are the incentives that are necessary to accomplish that, what are the special skills that are going to be needed. Then I suppose address what are the needs of our schools in terms of math and science training for the next generation in our work force.

It is an immensely complicated program and nobody should try to simplify it. Unfortunately, when we do, we say we can do it cheap and, therfore, nothing gets done.

Mr. **Kogovsek**. That is why I appreciate the fact that you are up there this morning. I appreciate your testimony. I appreciate the fact that you have given this committee some suggestions, some very definite suggestions, to look at as far as financing and some of the things this Government has to do to turn the economy around.

Mr. **Hawkins**. Thank you.

Mr. Owens.

Mr. **Owens**. Mr. Donohue, I want to congratulate you and the AFL-CIO for your very bold proposals. The $22 billion in fiscal year 1983 and $46 billion in 1984 as renewal stimulus, I think, history will show it is more practical and closer to what is needed than any other proposals that have been made. I don't mean long-term history either; I mean in the next 5 or 10 years, it is going to be clear that those are the kinds of efforts that should be put forth. You are to be congratulated for being bold enough to do it when nobody else is willing.

I have just a couple of questions. The Full Employment and Balanced Growth Act of 1978, the Humphrey-Hawkins bill, is it totally a waste? Is there anything that an organization like yours, which is the primary representative of workers in this country with quite a large amount of resources, is there nothing that can be done to make the Humphrey-Hawkins bill mean something in the situation we presently face?

Some people have suggested the possibility of a court suit which would force Government to deal with the Humphrey-Hawkins bill. Some others have said there should be at least a public relations campaign mounted to make the American people aware of the fact that there is a law on the books which says that we should not accept the notion of structural unemployment at 8 or 9 or 10 percent, permanently throwing overboard large segments of the workers. Is there nothing that can be done?

Mr. **Donohue**. Certainly, Mr. Owens, we have been trying to do that, and obviously we will continue to try to educate the Nation to the concepts of the legislation. We regard it as a preamble to what this Nation ought to be, and then look, as you do, for the method by which one implements it.

The most significant effort that I think we will make to see it implemented is to elect a different administration in 1984 and to elect legislators who are committed to full employment in this country. I share your views entirely that it is a tragedy that the administration spokesmen now try to pretend that this is structural unemployment and we have come to accept that is at 6 percent and that that is a base we just live with, and then we worry about the small amount of cyclical unemployment on top of that. We obviously don't share that view.

We are doing everything we can to seek the legislation, as we seek it here today, to provide all possible jobs programs to move us up into a condition that would begin to approach the 4 percent that was seen in the Humphrey-Hawkins bill. I would note that we had the same problem for the preceding 32 years after the enactment of the Full Employment Act of 1946, which gave us only the Council of Economic Advisers and nothing more.

We will continue our efforts, and I suspect that our efforts are geared largely to information, education and to political action toward that end.

Mr. OWENS. The other question relates to a comment you made in response to somebody else's question. You seem to be optimistic about the future of the American economy in terms of those manufacturing jobs coming back. I agree with you that the age of information won't mean that there is no need for those other products. But they are probably not going to be manufactured in this country if the trend continues as it is going.

What is happening is that every dollar spent by the Government to create jobs in the hope that that is going to set off a cycle whereby people will purchase goods and the purchase of those goods will lead to the creation of jobs for somebody else—there is a big hole created when every dollar that the Government pumps into the wages of an unemployed person and he goes out to spend on consumer products and at least half of that dollar is going to go to products that are manufactured somewhere else and the stimulus is just not going to be there. The sneakers are going to come from Taiwan, and the television sets from Japan. Whereas American investors and managers, et cetera, are probably making quite a big profit off of their relationship with those industries in foreign countries, and their profits will look better.

Certainly, part of the dollar that would have gone to create a job for a worker is not going to be there. More and more of that is happening. There is nothing that I see that is going to stop that.

As far as your buy American campaigns or the domestic contents law, and so forth, 10 years ago, as a liberal, I would have said that that is bad business and we should look to improving the lot of workers all over the world. A number of the arguments that were given 10 years ago are ridiculous now. We have been swindled.

I wonder just what are you doing or what kind of positions do you have to deal with the long-term problem that the American worker is being ripped off in terms of goods being produced somewhere else at very low cost, very low wages, by workers working for slave wages, brought back to this country and sold at prices commensurate with this economy? Big profits go into somebody's pocket, but jobs are not being created, and that so-called stimulus to the private sector is never going to be there.

Mr. DONOHUE. We argued, as you did, Mr. Owens, for almost the 25 years after World War II for absolute free trade, tear down the tariff barriers, let us assist the Nations of the world and let us all have free trade flowing between nations. It became clear to us by the late 1960's and early 1970's that there was no free trade, that free trade was a condition described by every other country as access to our markets. That was free trade, whatever limitations they placed on our access to their markets.

We have campaigned since 1969 or 1970 for fair trade, whether that means bilateral reciprocity or whether that means multinational arrangements, which would be truly fair and equal, we take it either way we can get it. But we think that the essential problem is to solve the trade imbalances that we have and to solve the unfairness which exists in trade and the discrimination which is practiced against American products in countries all over the world, while they enjoy the access to our markets.

Mr. OWENS. Are you aware of the fact that that is never going to be solved as long as such tremendous profits are being reaped by American investors. The only persons losing are the workers.

Mr. DONOHUE. That is right. The most recent example which followed your comment about jobs going offshore is that Warner Communications' decision, the Atari decision, to close the plant in Fremont, Calif., close out 1,700 production jobs and move them to Taiwan and to Hong Kong. Those were jobs paying only marginally above the minimum wage, it is a nonunion plant. The pictures on the television told us that all of the workers—practically all of the workers I saw on television, at least—were minority women.

None of the conditions which I hear so much about—you know, the excessive union wage rates which drive the production offshore—were present there. Simple bad management, I gather, from the magazines I read, bad management on the part of Atari and the Warner Communications people, in a decision to ship those jobs offshore.

That is precisely what is ahead of us in terms of the information explosion and the high-tech industries, and so forth. They will create substantial numbers of jobs for engineers, for technicians, for computer programers and analysts. They will, at the same time, provide low-skilled or medium-skilled jobs in production which will be easily transplantable and shippable offshore. That is what is going to happen to them.

So we see little prospect for that growth of high-tech industry providing a great mass of production jobs for the workers in this country.

I am optimistic about the other industries coming back only because they must. We must have a steel industry, we must have an auto industry. If it means that we have to have domestic content legislation to protect an auto industry as the Japanese protected their industry for all of these years, then we ought to put that legislation in place. If it means that we have to establish individual trading arrangements only with those countries which give us reciprocity in their markets, then we ought to put that in place.

We shouldn't be doing those things which injure American workers and destroy American jobs, or else we better be prepared to take the community employment legislation and all of the other job creation legislation and multiply it by 10 or 15 or 20.

Mr. SIMON. Would my colleague yield for a question?

Mr. OWENS. Yes. I am also finished.

Thank you very much.

Mr. HAWKINS. You may have the time.

Mr. SIMON. Thank you, Mr. Chairman.

You mentioned steel just now and you mentioned it earlier. You said we ought to be encouraging steel to come back through Government policies and everything. I guess I probably voted for everything that protects United States Steel. Then, all of a sudden, I see United States Steel investing $6.5 billion to buy Marathon Oil, and that doesn't create one single job, and does nothing to modernize the industry.

Somehow, I want to get American industry going, but I don't want to see that kind of an investment that hurts the credit market, that hurts everybody. Do you have any comments?

Mr. DONOHUE. That is why we argued that any tax reduction program, tax incentive program to American business ought to be carefully targeted so it ensures the investment in job creating plants and facilities.

The problem with steel—I read so much about the problems of our wage rates as if it is somehow reprehensible that we are a Nation which has managed to raise the standard of living of our people. That is now reprehensible. We should all be cutting wages to 50 percent of whatever their current level is. That is nonsense. We should be proud of what we have accomplished.

Our problems in steel were not created by the negotiations between the steel companies and the union for those wage rates. The problems in steel were created by the absolute failure of those companies to invest in new plant and equipment over the last 50 years. Our problems in auto are caused by similar type management decisions.

It is easy then for me to say that I will put the blame on the steel company or the auto company and, therefore, to hell with them, except "to hell with them" means there goes our jobs. We can't take that position on it. So we have to be willing to provide some tax incentive for reinvestment, but it ought to be for real reinvestment in job creating activities, and not in the purchase of another corporation and the kind of corporate cannibalism that has flowed from the most recent tax legislations.

Mr. BARTLETT. Would the gentleman yield on that point?

Mr. SIMON. Yes.

Mr. BARTLETT. Then you would advocate increased tax credits as opposed to decreased investment tax credits, or investment tax credits for research and development? How would you target that?

Mr. DONOHUE. We have supported tax credit for the investment in new plant and equipment. We have an unbroken record on that subject.

We would further support credit allocation and the availability of credit for job creation rather than for this kind of corporate cannibalism, which benefits no one except the people who are the beneficiaries of the golden handshakes that go around.

Mr. BARTLETT. Would you advocate an investment tax credit for training, for example, for retraining of the workers?

Mr. DONOHUE. We have. What we have advocated—and I would be happy to supplement our testimony and make that information available, Mr. Chairman, to the committee and to Mr. Bartlett—we have some fairly extensive proposals for the creation of a reconstruction finance corporation and for tax incentives, tax credits which would help to be reindustrialize the Nation. I would be happy to make that available.

Mr. **Bartlett**. I would like to have that available and have a copy, and perhaps discuss it at some point.

[The information referred to follows:]

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Summary of Principal Points
Statement of Arnold Cantor, Assistant Director
Department of Economic Research
The American Federation of Labor and Congress of Industrial Organizations
Before the Committee on Finance
on
Enterprise Zone Legislation

April 22, 1983

- The AFL-CIO reaffirms its opposition to Enterprise Zone legislation. The Administration's new bill, S.863, as well as S.98, and S.634, offer an array of tax reductions and other devices which encourage a reduction in public revenues, programs, standards and safeguards. They will not create additional jobs nor help solve critical urban public and private investment problems.

- The AFL-CIO considers the concept as "little more than a localized version of 'trickle down' economics" based exclusively on the notion that "...local economic problems will disappear if government would spend less, tax less and protect less." We take an opposite point of view. We feel government -- federal, state and local -- has a key role to play in fighting unemployment and in helping to solve some of the fundamental problems that are the source of urban joblessness and decline.

- The tax benefits that apply to Enterprise Zones in the Administration's bill, (S.863) would have the effect of drawing footloose businesses into the zones from other areas without contributing any net increase in the number of jobs. The only certainty would be a loss of tax revenues and more destructive inter and intra state competition to keep or to pirate industry.

- The elimination of capital gains taxes would serve as an inducement to sell out and leave the zone. The employment tax benefits could lead to extremely inequitable situations and a powerful incentive for counterproductive shutdowns, relocations and job loss.

* The legislation could also weaken health and safety protections and weaken governmental regulations.

* The Administration's bill also induces states and localities to rollback zoning, occupational licensure laws, usury laws, price controls, permit requirements, control planning regulations and building codes. This could threaten the public health and safety and put the weight of the Federal government into preempting state and local decisions.

* S.98 and S.634 are also replete with tax "incentives" which we oppose. We also have serious reservations over the emphasis in S.634 on "Employee" and "General" stock ownership devices. The former envision's employee ownership of business in distressed areas, the latter would have local residents form investment corporations to influence development.

* Enterprise Zones are not the route to urban development and job creation. They will either be a poor substitute for or a diversion from effective action which is needed for immediate job creation and to deal with the specific reindustrialization and revitalization needs of distressed areas.

* The AFL-CIO has proposed an economic program. Under that program needed public services would be expanded, planned public works would be built, low- and moderate-cost housing constructed and rehabilitated, more youth trained and placed in jobs, and displaced workers assisted. Extended unemployment insurance would provide longer support for the jobless. There would be mortgage and rent payment relief as well as health care established for the unemployed.

* The federal government also must pursue a more expansionary monetary policy as well as a trade policy that attempts to achieve fair trade and reorganizes this nation's needs and problems.

- We also advocate a reindustrialization program that involves government, business and labor. A national industrial policy supported by a new Reconstruction Finance Corporation should be set up to rebuild the nation's industrial base with loans, grants, guarantees, and targeted tax policies to strengthen investment in basic industries and new- high-growth industries. Special consideration should be given to areas of high unemployment.

- America must deal with the immediate needs of its 11 million jobless as well as the specific problems of particular groups of workers and distressed areas and regions. These goals in our view require input and cooperation from all sectors of the economy. They will not be served through proposals like Enterprise Zones which merely continue the myth that government is the source of our ills and cutting taxes, lowering standards and reducing services are the cures.

We, therefore, urge you to reject the Enterprise Zone legislation and ask your consideration of the AFL-CIO jobs and fairness program.

Statement of Arnold Cantor, Assistant Director,
Department of Economic Research,
The American Federation of Labor and Congress of Industrial Organizations
Before the Committee on Finance
on
Enterprise Zone Legislation

April 22, 1983

The AFL-CIO is pleased to have this opportunity to reaffirms its opposition to Enterprise Zone legislation. The Administrations new bill, S.863, as well as S.98, and S.634, offer an array of tax reductions and other devices which directly and indirectly encourage a reduction in public revenues, and cuts in programs, standards and safeguards. They will not create additional jobs nor help solve critical urban public and private investment problems.

This has been our consistent view since enterprise zone legislation was first introduced for congressional consideration. The 1983 version of enterprise zones, embodied in the legislation before this Committee is fundamentally the same as past proposals. The AFL-CIO Executive Council's characterization of the concept as "little more than a localized version of 'trickle down' economics" is valid in its application to the present rendition of the idea. As the Council has noted, the concept is based exclusively on the notion that "...local economic problems will disappear if government would spend less, tax less and protect less." We take an opposite point of view. We feel government -- federal, state and local -- has a key role to play in fighting unemployment and in helping to solve some of the fundamental problems that are the source of urban joblessness and decline.

The tax benefits that apply to enterprise zones in the Administration's bill, (S.863) would have the effect of drawing footloose businesses into the zones from other areas without contributing any net increase in the number of jobs. The only certainty would be a loss of tax revenues and more destructive inter and intra state competition to keep or to pirate industry through tax relief schemes.

The elimination of capital gains taxes in the enterprise zones would serve as an inducement to sell out and leave the zone, since there would be no tax liability on the profit of selling a business.

The employment tax benefits for employers are limited to firms within the designated zone. However, in many urban areas existing and potential employment is outside the zone. Thus, a firm outside the zone, employing many zone residents would get no benefit. This, of course, could lead to extremely inequitable situations and a powerful incentive for counterproductive shutdowns, relocations and job loss.

It is also likely that many stable, existing firms in the zone that are and have been providing employment may not be able to meet the bill's qualifying criteria for financial or other reasons and would be unable to compete with a new firm that is heavily subsidized through the tax benefits.

A resident of the zone, working within the zone could receive a 5% wage credit. Yet, his or her neighbor whose job might be outside the zone would get no such benefit. Again an extremely inequitable result.

Ever since the first experiment with jobs tax credits in 1971, study after study has shown this device to be flawed. A recent study for example, published in the New England Economic Review(September/October 1982) notes that such devices "... enhance the employment of some groups only at the expense of others..." and expanding the role of such subsidies "... would encourage such displacement at a time when unemployment is at its highest rate since the Great Depression."

The legislation could also weaken health and safety protections and weaken governmental regulations. The designation of enterprise zone areas as foreign trade zones not subject to tariffs and import duties, for example, would undermine these government international trade rules.

The legislation also would pressure states and localities to cut taxes in order to enhance their chances for designation as an enterprise zone. It seems to us that "winning" in that competition would mean that the "successful" enterprise zone applicants' ability to provide necessary services to its citizens would be further diminished. It would also assure that those jurisdictions which are most financially able will rank high as zone applicants.

The Administration's bill also induces states and localities to rollback zoning, occupational licensure laws, usury laws, price controls, permit requirements, control planning regulations and building codes. This, we feel, could threaten the public health and safety which is the basic purpose of such laws and regulations. Ironically, this also puts the weight of the Federal government into preempting state and local decisions determined on the basis of local conditions.

S.98 and S.634 are also replete with tax "incentives" which we oppose. S.98, contains an "equity expensing" tax shelter, for example, which is supposed to generate startup capital. Under that provision investors could write off $100,000 per year in order to buy stock in an enterprise zone business, deferring taxes until the stock was sold. There would be no tax on any capital gain when the stock was sold. The amount initially written off would then be included in ordinary income. This would indeed be a generous -- and costly -- inducement to invest. It would, in fact, be a major benefit to the wealthy financed in the main by all other taxpayers. S.634 is open ended in allowing the approval of an unlimited number of revitalization areas with the designation of successful applicants for 20 years each. This commits an unknown but potentially very large drain of public funds into doubtful endeavors for a long period of time. We also have serious reservations over the emphasis in S.634 on "Employee" and "General" stock ownership devices. The former envision's employee ownership of business in distressed areas, the latter would have local residents form investment corporations to influence development.

Enterprise Zones are not the route to urban development and job creation. They will either be a poor substitute for or a diversion from effective action which is needed for immediate job creation and to deal with the specific reindustrialization and revitalization needs of distressed areas.

The Administration, for example, has claimed this legislation "...will provide for the creation of meaningful jobs in the private sector and long term revitalization of our nation's most depressed areas." At the same time the Administration continues the policy of annually offering fewer resources to meet national and city problems through categorical programs.

In the 1984 budget, the Administration proposed $19.4 billion in cuts for non-defense programs. The cuts from such programs as job training, education, housing, Medicare, Medicaid, food stamps and child nutrition are proposed in the face of the attendant hardships or a severe recession. Among other things, the Administration proposed to phase out subsidized housing production and to include housing under the community development block grant program diluting funds in both programs. This means fewer net resources for community development. The Economic Development Administration and other programs serving community development purposes and creating jobs are also cut back.

Similarly the Administration's proposed Employment Act of 1983 looks to Enterprise Zones as a job creation program along with a potpourri of other devices that essentially rely on rearranging and reshuffling joblessness. These include only $240 million for for training displaced workers, a subminimum wage for youth and a wage subsidy device whereby employers would be encouraged to lay off current and hire workers holding vouchers. These vouchers in turn would be credited against the employers unemployment insurance and income tax liabilities.

Despite the evidence that the recession is behind us, the latest official forecasts still project that unemployment will be at or above 8 percent for 3 years, and the Congressional Budget Office is even more pessimistic. Thus, though the Administration has pronounced its recession over with, and the economics community is wrestling with "turning points," the recession is still very real for the 11.4 million Americans who were jobless during the first 3 months of this year, the 1.8 million indiviudals who were so discouraged they had given up looking for work, and the 6.5 million people who were involuntarily working part time.

The state and local unemployment figures for February, the lastest month available, document the fact that conditions are literally at depression levels in many areas. For example, unemployment rates in West Virginia, Michigan and Alabama, the worst states, are 21.0, 16.5 and 16.1 percent respectively. Thirty-five metropolitan areas have unemployment greater than 15 percent, the highest being Johnstown, Pennsylvania with 25.9 per cent.

The AFL-CIO has proposed an economic program to provide jobs for the unemployed and increased fairness in the tax and budget policies of the federal government. Our program, would provide 900,000 jobs in 1983, 1.8 million jobs in 1984, a stimulus that would put this country on the road to full employment.

Needed public services would be expanded, planned public works would be built, low- and moderate-cost housing constructed and rehabilitated, more youth trained and placed in jobs, and displaced workers assisted. Extended unemployment insurance would provide longer support for the jobless. There would be mortgage and rent payment relief as well as health care established for the unemployed.

To finance these programs, we have proposed a number of tax changes and reforms including a cap on the 1983 individual income tax cut and the repeal of indexation.

In addition to tax and budget policies, the federal government also must pursue a more expansionary monetary policy as well as a trade policy that attempts to achieve fair trade and reorganizes this nation's needs and problems.

We also advocate a reindustrialization program that involves government business and labor. A national industrial policy supported by a new Reconstruction Finance Corporation should be set up to rebuild the nation's industrial base with loans, grants, guarantees, and targeted tax policies to strengthen investment in basic industries and new, high-growth industries. Special consideration should be given to areas of high unemployment.

In place of across-the-board tax cuts and accelerated depreciation and instead of the proliferation of wasteful tax loopholes, we need a new targeted investment program as part of an overall reindustrialization policy. To that end, the AFL-CIO has proposed the creation of a tripartite National Reindustrialization Board -- including representatives of labor, business, and the government -- which would determine the amount and type of any tax incentive or accelerated depreciation allowance granted to any company on a case-by-case basis with some type of certificate of necessity. Investment credits would be clearly targeted to industrial sectors and regions where they are needed.

This Board would also direct the activities of a financing agency, patterned after the Reconstruction Finance Corporation of the thirties and forties which would be authorized to make and guarantee loans to finance approved reindustrialization ventures. Private pension funds should be permitted and encouraged to make investments in such financing arrangements to support and expand industrial employment in the United States.

An RFC would have authority to allocate tax expenditures and additional funds in loans, loan guarantees, and interest subsidies which, in turn, could leverage private capital. The emphasis would be on basic industries, and allocation decisions would include factors such as eliminating capacity "bottlenecks," helping new U.S. industries with a high growth potential, and aiding firms that have difficulty competing because of unfair foreign practices.

Eligibility considerations include reasonable demonstrations that the aid would be used to finance net increases in domestic investment and would be compatible with the local area's development plans and needs. All recipients would have to comply with nondiscrimination provisions of federal civil rights and labor laws.

Under the AFL-CIO concept, reindustrialization would involve capital formation for moderinzation of existing plant and equipment or it could be the creation of new industrial complexes, utililties and services at a cost which would make them marketable, thereby preserving and expanding employment. Another implication is that there would be government intervention to help provide the funding for a necessary investment in targeted industrial sectors, and favoring locations to reduce duplication of facilities insofar as possible.

Public infrastructure which is suffering from deferred maintenance must be improved, including replacement and expansion of large components in water, sewer, highway and mass transit systems, to enhance efficiency of economic functions and livability in major urban areas. Such improvements could also maximize utilization of existing urban plants and minimize costly replication of facilities elsewhere, and help in dealing with large concentrations of unemployed youth.

America must deal with the immediate needs of its 11 million jobless as well as the specific problems of particular groups of workers and distressed areas and regions. These goals in our view require input and cooperation from all sectors of the economy. They will not be served through proposals like Enterprise Zones which merely continue the myth that government is the source of our ills and cutting taxes, lowering standards and reducing services are the cures.

We, therefore, urge you to reject the Enterprise Zone legislation and ask your consideration of the AFL-CIO jobs and fairness program which we have added to our testimony.

Mr. **Bartlett**. I yield back my time. Thank you, Mr. Chairman.

Mr. **Hawkins**. Thank you, Mr. Donohue, for a very excellent presentation this morning. We thank you, Mr. Denison and Mr. Oswald. Again, you have been a tremendous help to the committee. We are delighted that you were before us.

Mr. **Donohue**. Thank you, Mr. Hawkins. It is we who are in your debt, sir. We applaud the work of your committee and ask you to keep on.

Mr. **Hawkins**. We will try to get some dividends from that cooperation.

Thank you.

The next witness is Ms. Dorothy L. Ridings, national president of the League of Women Voters. I understand she has several persons with her. I think we have room at the table for these witnesses. We would appreciate you, Ms. Ridings, introducing the other witnesses.

We will incorporate your written statement in the record in its entirety. We hope you will then deal with the highlights as you so desire.

STATEMENT OF DOROTHY S. RIDINGS, PRESIDENT, LEAGUE OF WOMEN VOTERS OF THE UNITED STATES, ACCOMPANIED BY GERI PALAST, ASSISTANT DIRECTOR OF LEGISLATION, SERVICE EMPLOYEES INTERNATIONAL UNION; NANINE MEIKLEJOHN, ASSISTANT DIRECTOR OF LEGISLATION, AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES; AND VICKI GREGORY, CODIRECTOR, WOMEN'S WORK FORCE, WIDER OPPORTUNITIES FOR WOMEN

Ms. **Ridings**. I will do that, and I will introduce the women who will join me at the table.

I am Dorothy Ridings, president of the League of Women Voters of the United States. We do want to thank you for the opportunity to be here. I am going to summarize my remarks. I was able to tell, particularly by your questioning of some earlier witnesses, that you understand that magnitude of the particular problem that we are going to speak to you about today, so I will summarize my remarks.

With me today are Geri Palast, assistant director of legislation for the Service Employees International Union; Nanine Meiklejohn, assistant director of legislation, American Federation of State, County and Municipal Employees; and Vicki Gregory, codirector of the Women's Work Force at Wider Opportunities for Women.

Mr. Chairman, while the unemployment crisis has affected all segments of the population—and we certainly recognize that—male and female, black and white, Hispanic, Asian, young, middle aged, old, blue collar, white collar, college educated, and high school dropouts—those of us here at the table today would specifically like to direct your attention to one segment that has been particularly hard hit—women.

We want to emphatically state that it is time for the Federal Government to recognize that the American labor force is comprised of both workingmen and workingwomen. The unemployment crisis that this country faces today is a crisis for both men and women. With this recognition must come Federal programs and policies that will put all Americans back to work.

Recently, the league coordinated a group of over 50 organizations from the labor movement, from the civil rights organizations, from the women's movement, to unite around the issue of jobs for women. We are calling upon Congress to enact jobs legislation that contains strong provisions for nondiscrimination and affirmative action and that provides women equal access to all jobs.

Our first effort in this arena was to get the emergency jobs appropriations bill to reflect the needs of unemployed women. As you well know, Mr. Chairman, the gas tax bill that passed the last Congress virtually ignored women workers. The jobs bill passed by the House but not enacted by the Senate in the postelection session did very little better. Thus, we were intent on making sure the emergency appropriations bill of this Congress did not repeat that poor record. We are very pleased to say that we have achieved some significant progress in our work on the appropriations bill and some significant success. In the House, we were able to increase the moneys going to fund jobs most women are presently training for—service jobs—by more than $700 million. In addition to the dollar increases, we were able to lift the 10-percent cap on public service jobs under the community development block grant program, thus making that program, under the emergency appropriations bill, more flexible to the needs of women.

Our work on the emergency appropriations bill had one clear message. A heavy emphasis on public works jobs, hard or soft, is not in the best interests of unemployed women.

We are here today to deliver that message to you, as well as other issues of concern to women, as you consider the various jobs proposals before your committee. We are pleased to see so many proposals, Mr. Chairman. It is patently clear to us, as it is to most Members of Congress, that the emergency appropriations bill doesn't even begin to address the unemployment needs of this country. Much more needs to be done. We need an ambitious proposal for job creation and job training.

Mr. Chairman, to summarize, women really do face two obstacles in pursuit of employment opportunities. First, is the traditional, but totally inaccurate, concept that unemployment is not really a women's problem because women really don't need to work. Second, a Federal Government that has abdicated virtually all of its responsibility for eradicating employment discrimination.

We, therefore, want Congress to make it perfectly clear in passing new jobs legislation that policies of nondiscrimination and affirmative action must be effectively enforced, and that women will have equal access to all jobs created by new employment policies.

Aside from civil rights enforcement, we believe that recent Federal employment policies, with few exceptions, fail to recognize the very real needs of working women. For example, the work incentive program, the WIN program, an employment strategy for welfare recipients, tends to place women, but it does so only in traditional low-paying jobs. The WIN program clearly needs more financial resources and it needs a change in focus. It needs to make a concerted effort to place women in higher paying nontraditional jobs.

In the case of CETA, a program we supported—for the record, Mr. Chairman—it was not until the 1978 amendments that substantial efforts were being made to train and place women in nontraditional jobs. We, therefore, are closely monitoring the provisions of the new Job Training Partnership Act, and we hope that JTPA will do as well as CETA in targeting economically disadvantaged women.

With respect to dislocated workers, we are pleased the Job Training Partnership Act has a section that addresses this segment of the population. But we do want to emphasize that women are also suffering the dire consequences of displacement. It is often easy to overlook the displaced female worker, because the image that typically comes to mind with displacement is a closed factory and long unemployment lines filled with men.

Sitting in the audience, we have just had a chance to look at the current issue of Newsweek Magazine. We noted that while there are four industrial workers on the cover and one of them is a female, inside the magazine, there are lots of pictures of unemployed workers and no women workers. The women who are in the pictures are wives and children of those unemployed workers. So we have a real perception problem.

However, displacement is occurring in other sectors of the economy as well as the industrial sector. There are large numbers of displaced mental health workers, largely female. The banking industry, as electronic funds transfer systems have proliferated, the bank tellers, again predominantly female, face the loss of their jobs. In the telecommunications industry with increased automation, there has been a decrease in the number of telephone operators, once again mostly women. It is imperative that job displacement be recognized for what it is—an extreme hardship for both men and women. Job training for displaced workers must extend to displaced female workers as well as to men.

We are concerned that adoption of a subminimum wage could have an adverse impact on women workers. A subminimum wage would displace female workers, those at the bottom of the jobs ladder who are currently working at the minimum wage level, with lower paid teenagers. Such a situation would serve only to exacerbate the unemployment problem that women face today.

With an economy that is moving quickly toward a complex, highly technical job structure, it is critical that any job creation strategies target those industries, both for training and for jobs. As both men and women are equally unprepared for those jobs, there is a wonderful opportunity for women to get in on the ground floor. And with those new jobs comes an opportunity to create a new wage structure, one that fully acknowledges the contribution that women workers make. It is an opportunity to implement pay equity, without upsetting a preexisting rate structure, which is so often the argument that is raised against pay equity today. Finally, it is an opportunity to insure that low level jobs will have training and upward mobility options connected to them.

Speaking directly to the proposals for this committee, Mr. Chairman, there are some specific proposals for action we would recommend.

First, all proposals must contain nondiscrimination and affirmative action provisions consistent with title VII, the Equal Pay Act and Executive Order 11246, and they should be enforced. If any jobs are to be created by an act of Congress, then women must receive their fair share of such jobs. It is incumbent that any legislation insure access to nontraditional jobs for women, as well as to more traditional jobs that women are already trained for. Perhaps you will have some questions later in reaction to some of the comments we heard earlier, that women are just not there who want those jobs, which is nonsense. This country cannot afford to pass more legislation like the recently enacted Federal gas tax increase.

Second, proposals must contain provisions for occupational development, upward mobility, development of new careers for women, and for overcoming sex stereotyping.

Third, proposals must contain provisions for the creation of service or public sector jobs with equal pay and benefits for women. These are the jobs that most women are presently trained for. At the same time, there must be safeguards to protect against displacement of public employees so that they do not lose their jobs to those hired under any public employment schemes.

We cannot overestimate the value of traditional women's jobs to society. Many of these jobs that were eliminated when the public service component of CETA was abolished were jobs in child care centers, centers for the elderly, meals on wheels programs, displaced homemaker programs, and domestic violence shelters. These programs provide invaluable services for our society. Many women are trained to perform those jobs and would be eager to work in such facilities. Caring for the needs of our people is every bit as important as caring for the needs of our roads, bridges, and sewers. We, therefore, urge Congress to consider the needs of all American people when it considers jobs legislation.

Fourth, there must be a provision for the development of alternative work schedules, including flextime, part-time and at-home work and experimentation with such programs such as short-time compensation. However, alternative work schedules should not be implemented without adherence to collective bargaining agreements and fair labor standards, and should include bilateral implementation by union and management.

Fifth, the proposals must contain provisions for the expansion of resources for child care. Women must have child care when they are to go to work. We are pleased that the Tax Equity and Fiscal Responsibility Act of 1982, passed by Congress last summer, includes incentives for employer-operated child care centers. But it is simply not enough. While Congress hath given with the right hand, it hath taken away with the left, by reducing funding for the social services block grant that subsidizes child care for low-income persons. Child care must be available and it must be affordable, because if it is not affordable, then it simply is not available.

Sixth and finally, the proposals should contain provisions that will insure pay equity for women workers. We cannot stress too strongly the need for pay equity. Women, like men, must earn a living wage if they are to support themselves and their families. The fact is that, for many men, a job is all that is needed to propel them out of poverty. However, for women, this is so often not the case, because wages for traditional women's work are so low. Many women who work full time still qualify for food stamps and/or income assistance. We, therefore, urge that any employment legislation considered by Congress include pay equity—or equal pay for work of comparable value—as a component.

In closing, I would simply like to say that women must have the opportunity to perform all jobs in the American economy. For this to happen, the true value of the jobs that most women perform—those that provide vital services and maintain our social and human infrastructure—must be recognized. It is the responsibility of the Federal Government to insure that this dream becomes are reality. Only then will the Government be meeting its responsibility to "promote the general welfare" for all of its citizens.

I thank you, and we would be pleased to answer any questions that you might have.

[The prepared statement of Dorothy Ridings follows:]

Prepared Statement of Dorothy S. Ridings

I am Dorothy Ridings, President of the League of Women Voters of the United States (LWVUS). Thank you for this opportunity to present the common concerns shared by the LWVUS and the other organizations that are represented on this panel on the subject of employment--more specifically--the employment needs of women in these difficult economic times.

With me today are: Geri Palast, Assistant Director of Legislation for the Service Employees International Union (SEIU), which represents over 60,000 office workers and over 400,000 women workers; Nanine Meiklejohn, Assistant Director of Legislation for the American Federation of State, County and Municipal Employees (AFSCME), which represents 400,000 women in public sector jobs; and Vikki Gregory, Co-Director of the Women's Work Force at Wider Opportunities for Women, a pioneer in the effort to secure non-traditional skilled labor jobs for women.

The LWVUS is a volunteer citizen education and political action organization made up of more than 1,300 state and local Leagues in all 50 states, the District of Columbia, Puerto Rico and the Virgin Islands. From its inception in 1920, the League, as you no doubt know, has had a deep commitment to providing equal access to employment and combating discrimination wherever it may exist. In addition, the League has also been concerned about the plight of our nation's poor --a concern that has heightened as budget cuts of the past two years have put a tighter squeeze on the poor--and particularly the working poor.

While the unemployment crisis has affected all segments of the population--black, white, hispanic, asian, young, middle-aged, old, blue-collar and white-collar, college-educated and high-school dropouts, those of us sitting here at this moment would like to focus on just one segment that has been affected--women.

We want to emphatically state that it is time for the federal government to recognize that the American labor force is comprised of both working men and working women. And that the unemployment crisis that this country faces today is a crisis for both men and women. With this recognition must come federal programs and policies that will put all Americans back to work.

Recently, the League has coordinated a group of over 50 organizations from labor, the civil rights and the women's community, to unite around the issue of jobs for women. We are calling upon Congress to enact jobs legislation that contains strong provisions for nondiscrimination and affirmative action and provides women equal access to all jobs.

Our first effort in this area was to get the emergency jobs appropriations bill to reflect the needs of unemployed women. As you well know, Mr. Chairman, the gas tax bill passed in the last Congress virtually ignored women workers. The jobs bill passed by the House but not enacted by the Senate in the post-election session did little better. Thus, we were intent on making sure the emergency appropriations bill of this Congress did not repeat that poor record. We are very pleased to say that we have achieved some significant success in our work on the appropriations bill. In the House we were able to increase the monies going to fund jobs most women are presently trained for--service jobs--by over $700 million. In addition to the dollar increases, we were able to lift the 10% cap on public service jobs under the Community Development Block Grant program, thus making that program, under the emergency appropriations bill, more flexible to the needs of women.

Our work on the emergency appropriations bill had one clear message: a heavy emphasis on public works jobs--hard or soft--is not in the best interests of unemployed women.

We are here today to deliver that message to you, as well as other issues of concern to women, as you consider the various jobs proposals before your committee. We are pleased to see so many proposals, Mr. Chairman. It is patently clear to us, as it is to most members of Congress, that the emergency appropriations bill doesn't even begin to address the employment needs of this country. Much more needs to be done--we need an ambitious proposal for jobs creation and jobs training.

We would like to outline for you some specific proposals that must be included in any jobs bill.

But first, Mr. Chairman, please bear with me while I run through a few statistics that dramatically illustrate the employment picture for women in America today.

In September 1982, over 48 million women, 16 years and over, were in the labor force. This represents approximately 43% of all workers in the labor force. The labor force participation rate of women has doubled since 1960. On the other side of the coin, 9.5% of women were unemployed as of November, with the figure approaching 50% for young, black women.

Women are still concentrated in traditional, low-paying jobs. In 1978, two of every three working women held traditionally "female" jobs, 21.6% held jobs that were not sex stereotyped, and only 9.9% held traditionally "male" jobs. In 1981, women were 80% of all clerical workers, 63% of all retail sales workers. 70% of all teachers at the elementary and secondary levels, 89% of all health service workers, 62% of all service workers, and 97% of all registered nurses. At the same time, women were only 4% of all engineers, 14% of all doctors and lawyers, 7% of workers in the heavy construction industries, 1.25% of coal miners, 2% of all carpenters and 1% of all truck drivers.

Women continue to earn only $.59 for every $1 earned by men. This is a decrease from $.64 in 1955. In 1981, women workers with four or more years of college education earned approximately the same income as men who had only one to three years of high school, $12,085 and $11,936, respectively, while women high school graduates earned less than men who had not completed elementary school.

Women work for the same reason men do--economic necessity. Twenty-five percent of women in the labor force in March 1982 were single, 5% were widowed, 15% were divorced or separated, and 21% had husbands whose earnings in 1981 were less than $15,000.

A growing proportion of American families are headed by women--16% in 1982 as compared with 12% in 1972. However, for minority women the figure is even higher: 41% of all black families and 23% of all families of Spanish origin. Unfortunately, almost one in three female-headed families lives in poverty today, as contrasted to one in 18 headed by a man. But 51% of black female-headed households live in poverty, as do 60% of households headed by young women ages 15-24. Three-fourths of the elderly poor are women. Almost half of all elderly minority women live in poverty. It is dismal statistics such as these that have forced us to face the reality of the "feminization of poverty" in our country today.

With more women in the work force, the need for child care is more acute than ever. Forty-six percent of all children under the age of six have mothers in the labor force. It is estimated that by 1990, approximately one-half of all preschool children will have mothers in the labor force.

I think you will agree that these figures vividly demonstrate that working women are a fact of life in America today, and that their needs can no longer be overlooked in planning for the economic needs of our country.

We are gravely concerned about the severe unemployment problem that exists in America today. We are concerned about plant closings that create displaced workers, about automation that frequently eliminates the lowest jobs on the employment ladder--jobs that are frequently held by women. We are concerned about the structural unemployment caused by a lack of job training for young people. And we are concerned about pay equity for women--those women who are fortunate enough to have jobs, but whose worth is often undervalued, so that they are unable to earn a living wage.

There are already major laws on the books--The Equal Pay Act of 1963, Title VII of the Civil Rights Act of 1964, and Executive Order 11246, that are designed to eliminate employment discrimination against women. All of these tools can be effective, when they are rigorously enforced. While I do not wish to dwell on this point, we are deeply concerned about this Administration's failure to vigorously enforce these laws. Moreover, government programs designed to reach out to bring women into the work force have been virtually eliminated.

Thus, women really face two obstacles in pursuit of employment opportunities: 1) the traditional, but totally inaccurate concept that unemployment is not really a women's problem because women don't really need to work, and 2) a federal government that has abdicated virtually all of its responsibility for eradicating employment discrimination.

We therefore want Congress to make it perfectly clear in passing any new jobs legislation, that policies of nondiscrimination and affirmative action must be effectively enforced, and that women will have equal access to all jobs created by new employment policies.

We also believe that it is in cumbent upon the federal government to get its own house in order. Traditionally, the federal government has been a leader in promoting women to high level jobs. Unfortunately, the past two years have represented a sharp reversal from these policies. Reductions-in-force have hit women and minorities the hardest, and although there has been a great deal of publicity about the impact of RIFs, Congress has shown a surprising lack of concern. Since it is the federal government that sets the tone for all employment policies in the country, we believe that this callous disregard for the impact of RIFs on women workers should not go unchallenged. We might also add that Congress has failed to extend antidiscrimination rules to cover itself and its employees, something we would urge it to do (as we so testified in 1978).

Aside from civil rights enforcement, we believe that recent federal employment policies--with few exceptions--have failed to recognize the very real needs of working women.

For example, the Work Incentive Program, or WIN--an employment strategy for welfare recipients--has traditionally been used to place women in low-paying jobs. In the early days of the program, male welfare recipients were given preference for available slots in the program. While this practice was eventually eliminated by court order, traditional job placement patterns continue. We believe, however, that the basic structure and goals of the WIN program are sound, and that it can be an effective means of servicing the employment needs of women who receive income assistance. However, the program needs more financial resources, as well as a change in focus, e.g., to make a concerted effort to place women in higher paying, nontraditional jobs.

Women have been active participants in the Comprehensive Employment and Training Act (CETA) program. However, it was not until the 1978 amendments were passed by Congress, that substantial efforts were made to train and place women in nontraditional jobs. We therefore hope that the provisions of the new Job Training Partnership Act (JTPA) that target training to women receiving income assistance will meet with the same success as did the provisions of CETA that targeted economically disadvantaged women.

With respect to dislocated workers, we are pleased that the job training act has a section that addresses this segment of the population. But we would like to emphasize that women are also suffering the dire consequences of displacement. It is often easy to overlook the displaced female worker, because the image that typically comes to mind with displacement is a closed factory and long unemployment lines filled with men.

However, displacement is occurring in other sectors of the economy as well. There are large numbers of displaced mental health workers --largely female--due to the trend of deinstitutionalization combined with budget cuts in social service programs. There is displacement in the banking industry. As electronic money transfer systems proliferate, bank tellers--again predominantly women--face the loss of their jobs. And there has been displacement in the telecommunications industry. With increased automation, there has been a decrease in the number of telephone operators--once again mostly women. It is imperative that job displacement be recognized for what it is--an extreme hardship for both men and women. Job training for displaced workers must extend to displaced female workers as well as to men.

We are concerned that adoption of a subminimum wage could have an adverse impact on women workers. A subminimum wage, designed to provide jobs for teenagers, would displace female workers, those at the bottom of the jobs ladder who are currently working at the minimum wage level, with even lower paid teenagers. Such a situation would serve only to exacerbate the unemployment problem that women face today. Likewise, we are concerned about the lack of job training and pay equity associated with workfare programs. We do not view workfare as an acceptable employment option for women.

With an economy that is moving quickly toward a complex, highly technical job structure, it is critical that any jobs creation strategies target these industries, both for training and for jobs. As both men and women are equally unprepared for these jobs, there is a wonderful opportunity for women to get in on the ground floor. And with new jobs comes an opportunity to create a new wage structure--one that fully acknowledges the contribution that women workers make. It is an opportunity to implement pay equity, without upsetting a preexisting wage structure, which is so often the argument raised against pay equity today. Finally, it is an opportunity to ensure that low level jobs will have training and upward mobility options connected to them.

SPECIFIC PROPOSALS FOR ACTION

We urge Congress to take immediate and effective action to put America back to work. We know that you will be examining many employment proposals in the next few weeks and months. The development of a new jobs package presents an opportunity to avoid the problems of the old programs and to eliminate the stereotyped and outmoded images of women workers. Any proposal given serious attention by Congress must ensure employment equity for women. In order to achieve this goal, we believe that any employment proposal should contain the following:

1.) Nondiscrimination and affirmative action provisions consistent with Title VII, the Equal Pay Act and Executive Order 11246, and they should be enforced. If any jobs are to be created by an act of Congress, then women must receive their fair share of such jobs. It is incumbent, therefore, that any such legislation ensure access to nontraditional jobs for women, as well as to more traditional jobs that women are already trained for. This country cannot afford to pass more legislation like the recently enacted federal gas tax increase. Few of the jobs created by that act will go to women. As the figures I presented earlier sharply demonstrate--those jobs have for the most part been unavailable to women, and the gas tax bill contains no incentives to hire women for those jobs.

2.) Provisions for occupational development, upward mobility, development of new careers for women, and for overcoming sex stereotyping.

3.) Provisions for the creation of public sector jobs, with equal pay and benefits for women. At the same time, there must be safeguards to protect against the displacement of public employees, so that they do not lose their jobs to those hired under any public employment schemes.

4.) Provisions for the development of alternative work schedules, including flex time, part-time and at-home work and experimentation with such programs as short-time compensation. However, alternative work schedules should not be implemented without adherence to collective bargaining agreements and fair labor standards, and should include bilateral implementation by union and management.

5.) Provisions for the expansion of resources for child care. Women must have child care when they are to go to work. We are pleased that the Tax Equity and Fiscal Responsibility Act of 1982 passed by Congress last summer includes incentives for employer-operated child care centers. While a step in the right direction, it is simply not enough. While Congress hath given with the right hand, it hath taken away with the left, by reducing funding for the social services block grant that subsidizes child care for low income persons. Child care must be available and it must be affordable, because if it is not affordable, then it simply is not available.

6.) Provisions that will ensure pay equity for women workers. We cannot stress too strongly the need for pay equity. Women, like men, must earn a living wage if they are to support themselves and their families. The fact is that for many men, a job is all that is needed to propel them out of poverty. However, for women, this is so often not the case, because wages for traditional women's work are so low. Many women who work full time still qualify for food stamps and/or income assistance. We therefore urge that any employment legislation considered by Congress include pay equity--or equal pay for work of comparable value--as a component.

We cannot overestimate the value of traditional women's jobs to society. Many of the jobs that were eliminated when the public service component of CETA was abolished were jobs in child care centers, centers for the elderly, meals on wheels programs, displaced homemaker programs and domestic violence shelters. These programs provide invaluable services for our society. Many women are trained to perform these jobs, and would be eager to work in such facilities. Caring for the needs of our people is every bit as important as caring for the needs of our roads, bridges and sewers. We therefore urge Congress to consider the needs of the American people when it thinks about jobs legislation.

In closing, I would simply like to say that women must have the opportunity to perform all jobs in the American economy. For this to happen, the true value of the jobs that most women perform--those that provide vital services and maintain our social and human infrastructure--must be recognized. It is the responsibility of the federal government to ensure that this dream becomes a reality. Only then will the government be meeting its responsibility to "promote the general welfare" for all of its citizens. I thank you and the members of this panel and I would be pleased to answer any questions that you might have.

WOMEN AND EMPLOYMENT

THE FACTS:

- *47.7 MILLION WOMEN--43% OF ALL WORKERS--WERE IN THE LABOR FORCE IN JUNE 1982.*
- *WOMEN EARN ONLY $.59 FOR EVERY $1 MEN EARN--DOWN FROM $.64 FOR EVERY $1 IN 1955.*
- *WOMEN WORK FOR THE SAME REASON MEN WORK--ECONOMIC NECESSITY.*
- *TWO-THIRDS OF ALL WOMEN WORK AT LOW-PAYING, TRADITIONALLY 'FEMALE' JOBS.*
- *ONE IN EVERY THREE FEMALE-HEADED FAMILIES IS LIVING IN POVERTY.*
- *NEARLY 10% OF ALL WORKING WOMEN ARE CURRENTLY UNEMPLOYED.*
- *MORE THAN HALF OF BLACK FEMALE-HEADED HOUSEHOLDS LIVE IN POVERTY.*
- *YOUNG MINORITY WOMEN HAVE AN UNEMPLOYMENT RATE OF 50%.*

WOMEN: A Growing Presence in the U.S. Labor Force

-- 47.7 million women were in the labor force in June 1982--compared with 37.4 million in 1975 and 23.3 million in 1960.
-- 62% of all women ages 18-64 were in the labor force in 1981.
-- Women were 43% of all workers in 1981.

WOMEN: Still Concentrated in Traditional, Low-paying, Jobs

-- In 1978, 2 of every 3 working women held traditionally 'female' jobs; 21.6% held jobs that were not sex stereotyped, and only 9.9% held traditionally 'male' jobs.
-- In 1981 women were
80% of all clericals
63% of all retail sales workers
70% of all teachers
89% of all health service workers
62% of all service workers
97% of all registered nurses

But were only

4% of all engineers
14% of all doctors
14% of all lawyers
7% of all workers in heavy construction
5% of all workers in coal mining
2% of all carpenters
1% of all truck drivers

WOMEN: Their Work Still Undervalued

-- Women earn only $.59 for every $1 earned by men--down from $.63 in 1955.
-- Women workers with 4 or more years of college education earned in 1981 roughly the same income as men who had only 1-3 years of high school--$12,085 and $11,936, respectively.
-- Women high school graduates who work full time earned less than fully employed men who have not completed elementary school, $12,332 as compared with $12,866 for men.

WOMEN: Working Out of Economic Need

-- 25% of women in the labor force in March 1982 were single.
-- 5% were widowed.
-- 15% were divorced or separated
-- 21% had husbands whose earnings in 1981 were less than $15,000.
-- 16% of all families were maintained by women in 1982 compared with 12% in 1972.
-- 41% of all black families and 23% of all families of Spanish origin were maintained by women in 1982.

WOMEN: Already Poor and Getting Poorer

-- Almost 1 in 3 female-headed families is poor as compared with only 1 in 18 male-headed families (1978).
-- 51% of black female-headed households live in poverty.
-- 60% of all households headed by women 15-24 are in poverty.
-- Three-fourths of the elderly poor are women; almost half of all elderly minority women live in poverty.

WOMEN: More in Need of Quality Dependent Care than Ever Before

-- 55% of children under the age of 18 (32 million) had working mothers in 1982.
-- 46% of all children under the age of 6 (1.5 million) had mothers in the labor force.
-- 42% of all mothers with children under the age of 3 are in the workforce.
-- 54% of mothers with children between the ages of 3 and 5 are in the workforce.
-- By 1990, about 1/2 of all preschool children (11.5 million) will have mothers in the labor force, as will about 17.2 million (60%) of all school-age children.

WOMEN: The Unemployed

-- In 1982, 9.5% of all women were unemployed. This equals 4.7 million women--up 1 million from those unemployed in 1981.

SOURCES:

"20 Facts on Women Workers," U.S. Department of Labor, Women's Bureau, 1982

"The Female-Male Earnings Gap: A Review of Employment and Earnings Issues," U.S. Department of Labor, Bureau of Labor Statistics, 1982

"12th Annual Report of the National Advisory Council on Economic Opportunity," August 1980

A Children's Defense Budget: An Analysis of the President's Budget and Children, Children's Defense Fund, 1982

Prepared by: Nancy Reder, League of Women Voters Education Fund (202) 296-1770
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Prepared Statement of William Lucy

Mr. Chairman, and members of the Subcommittee, my name is William Lucy, and I am Secretary-Treasurer of the American Federation of State, County and Municipal Employees (AFSCME). I am pleased to be here today on behalf of the over one million employees of state and local governments represented by AFSCME.

AFSCME commends you, Mr. Chairman, for introducing H.R. 1036 and for holding these hearings. It is characteristic of your unwaivering commitment to full employment that you have again renewed your efforts to enact a jobs bill. H.R. 1036 represents the kind of jobs program AFSCME has consistently supported.

The need for such legislation should be painfully obvious. Since 1979, the national unemployment rate has almost doubled. In some communities it is over 20 percent, and in some groups, such as teenagers, it is above 30 percent. More than 13 million workers are officially jobless or have dropped out of the workforce in discouragement. Millions more have seen their incomes cut by reductions in hours of work.

Joblessness has become a personal and national tragedy. It has destroyed both the economic and social stability of millions of Americans. It has robbed workers of the ability to feed, clothe, and house themselves and their families, and has deprived them of their self-confidence and their self-respect.

The human hardship and suffering that unemployment brings is being documented almost daily in newspaper reports across the country and in Congressional testimony. It can be seen at D.C. General Hospital where 5,038 more people resorted to its emergency room and outpatient clinics in 1981 than in 1980. It can be seen at a shelter for battered women in Peoria, where the percentage of women whose husbands were unemployed jumped from 33 percent to 70 percent after a local brewery closed. There have been increases in child abuse and neglect corresponding to increases in unemployment in Wisconsin counties. Infant mortality rates have increased in Baltimore neighborhoods with high unemployment. Soup kitchens are proliferating across the country and, until recently, Texas' tent city was a painful reminder of the desperate plight of many families.

Unemployment not only has destroyed the self-sufficiency and dignity of millions of Americans, it also is depriving state and local governments of the revenues necessary to help the jobless, and their problems have been compounded by a federal policy of cutbacks in assistance to state and local governments. Nowhere is this problem greater than in the state of Michigan, where 10,000 state jobs have been eliminated. In the Michigan State Health Department alone, $24.2 million has been lost in federal, state and other revenue over the last 16 months while the number of unreimbursed charity cases in Michigan hospitals rose 29 percent in 1982. But the same problem also exists on a smaller scale in Mahoning County, Ohio where, over the last two years, there has been a 100 percent increase in the number of people using the Well Child and WIC clinics, while federal funds have been cut 20 percent.

Clearly our unemployment problems cannot be solved by any single program or Congressional Committee. They are much too complex for that. A bold and comprehensive package of immediate jobs and humanitarian aid for the unemployed, combined with longer-term retraining programs and other government initiatives to revitalize America's industry and infrastructure, are necessary.

Although we hope the legislation developed in your Subcommitee moves in the direction of such a comprehensive plan, we are pleased that so many public sector job creation bills have been offered for consideration. It is encouraging to see growing recognition that the federal government has a responsibility to act in the face of an economy too weak to offer jobs for all who want them.

As the largest union representing public employees, AFSCME has a strong interest in assuring that any public sector jobs program does not negatively effect the regular public sector workforce.

H.R. 1036 meets most of the basic requirements which AFSCME believes must be in such a program. Most important from our point of view are all of the anti-substitution and labor standards provisions approved by Congress in the past. Regardless of what delivery system is used the possibility of federally-funded workers replacing public employees always will exist. Some substitution may be inevitable, but strong anti-displacement language is an indispensable enforcement tool for our locals to use in protecting the job security of their members.

H.R. 1036 contains all of the necessary anti-substitution safeguards. It also limits the number of federally-funded employees that a state or local government could hire. This restriction, which was recommended in a study of public employment programs by the National Academy of Sciences, can help contain substitution problems and head off oversaturating the permanent workforce. Its effects will be to redirect some of the jobs into the nonprofit sector.

Among the labor standards, the principle of equal pay for equal work is one of the most crucial. AFSCME strongly opposes Congressman Simon's proposal to create minimum wage jobs for four days a week. The desperation of many jobless Americans and limited fiscal resources, are not sufficient reasons for the federal government to underwrite substandard wages. The annualized income of $5,574 is far below the poverty line and is less than what a family of four gets on welfare in some states. Large numbers of jobs at such wages will create a significant downward pull on wages generally.

A wage cap will present equal pay problems or lead to make work if it is set too low. H.R. 1036 proposes a federal wage contribution of $10,000 indexed geographically with local supplementation up to $15,000 permitted. This is the same federal wage cap established in the CETA PSE program in 1978. However, since 1979, major public sector wage settlements averaged 7.2 percent per year (compared to 7.7 percent for major private sector wage settlements). If the $10,000 cap had been indexed to keep up, a wage cap of about $13,200 would be necessary. Our analysis of wage rates in selected areas leads us to conclude that many jurisdictions especially in the west, will not have very many jobs at or below the cap and, therefore, may have to supplement the federal funds at a time when they are facing severe budget limitations. The cap also appears to be especially inappropriate for the public works jobs emphasized in H.R. 1036, since these blue collar jobs tend to have higher wage rates than white collar jobs. Therefore, we urge the Subcommittee to make appropriate adjustments in the $10,000 wage cap.

Any jobs program should target funds on areas and individuals that have the greatest need. Only the unemployed should be eligible, and some preference should be given to the long-term unemployed. The bills before the Subcommittee vary considerably with respect to individual eligibility requirements. The Martin bill has no requirement. The Simon and Washington bills require 20 days of unemployment, and your bill, Mr. Chairman, requires 15 weeks of unemployment.

The 15 week unemployment test in H.R. 1036 is too restrictive. It is a major weakness of the bill in our view.

The erosion of state and local revenues caused by the recession and federal aid cuts are almost certainly going to produce public sector layoffs this year as they have in the last few years. Let me cite some examples of the dismal circumstances in many jurisdictions.

- Michigan is facing a $900 million deficit. Governor Blanchard has proposed $225 million in cuts, which will mean over 1,000 jobs lost.
- New York State projects a deficit of $1.8 billion. Governor Cuomo anticipates a loss of 14,000 state jobs, over 8,000 of which will be through layoffs.
- In Wisconsin Governor Earl has proposed $490 million in cuts and the loss of over 1,000 jobs.
- Los Angeles County is considering laying off 3,000 employees to meet a projected deficit.
- The Mayor of St. Louis has announced plans to layoff 800 employees.
- New York City currently plans to layoff 4,600 workers and leave an additional 6,800 jobs unfilled.
- Anne Arundel County, Maryland is considering layoffs to deal with a revenue shortfall or about $5 million.

If a public jobs program with the 15 week requirement goes into effect in the midst of such layoffs, the riffed public employees will not be eligible. These people will be going out the door with their pink slips as they see other people being hired to do their work.

This situation not only would present a serious equity problem at the local level. It also would create very real practical and political problems for local elected officials and our local unions. The rigidity of the 15 week requirement would put both in an untenable position with respect to the public employees. It will deny the union and the chief elected official the opportunity to negotiate a rational solution to layoffs within the framework of both the jobs program and local personnel and collective bargaining procedures. Some flexibility is necessary to give our local unions the opportunity to protect their members even as they fight against substitution. The law must achieve some balance between the objectives of serving the long-term unemployed and protecting the interests of regular public employees. A shorter unemployment requirement is one way. Another is to apply the 15 week unemployment requirement to only 70 percent of the funds.

The proposals before the Congress offer some novel job creating ideas. Congressman Simon's bill (H.R. 777) is unique in establishing local governing boards of business, labor, education, and state and local governments to select and manage local jobs projects. This is an interesting approach, and we strongly support giving labor a role in planning and implementing local projects. However, we question how rapidly such a structure could be put in place and fear that establishing an entirely new structure may be unnecessarily costly.

Channelling funds through existing institutions is better since the jobs will be created more quickly and in a more cost effective manner. One way suggested in H.R. 1036 is to have state and local governments administer the program in cooperation with local Job Service offices which would certify individuals as meeting the unemployment requirement. The advantage to having local Job Service offices certify and refer prospective participants is that hiring may be a more objective process than it was under CETA. This feature of Congressman Hawkins' bill will be a plus for the jobs program, and it is a significant step in the direction of recognizing the useful role which the Employment Service can play. We are pleased that the bill authorizes additional funds for this new responsibility. It would be impossible for the Employment Service to discharge new duties without additional funds since it still has not recovered from the budget cuts of the last few years.

We question, however, whether the job activities should be limited primarily to soft public works. We recognize that there is an advantage in being able to point to visible accomplishments of the program and that the local infrastructure is in desperate need of repair. But, there also are major human service needs which have been exacerbated by the recession and federal cutbacks. In addition, a heavy emphasis on public works will tend to favor unemployed men over unemployed women because women workers concentrate in the service sector. Congressman Hawkins' bill provides some flexibility in this regard. The AFL-CIO's proposed community development jobs program also recognizes the diversity of community needs by proposing to put the unemployed directly onto regular state and local government payrolls without limitation on the kind of jobs created.

Another idea worthy of consideration is that of providing supplemental employment for existing federal programs. It is being explored in the Senate, and AFSCME believes that it is an interesting idea as long as the supplemental funds do not become a reason to cut back on appropriations for the federal programs. One advantage of this idea is that federal resources could be targetted toward specific activities such as improving the local infrastructure, energy conservation, child care, and programs that can help the unemployed, such as WIC, Maternal and Child Health, and Title XX. Blending this approach to public sector job creation with the more traditional ones reflected in the H.R. 1036 and in the AFL-CIO's proposal may offer a way to balance local flexibility with federal targetting on high priority activities.

Targetting supplemental employment on specific federal programs may have another advantage. It may help alleviate some of the substitution problems associated with past public employment programs. To the extent that programs, such as Head Start, which are conducted primarily with federal monies are used, there will be no temptation to replace state and local funds with federal funds. Even if activities that receive substantial state and local funds are used, such targetting may help us monitor substitution problems since we will know where the jobs will go in advance.

While the interest in job creating programs reflected in the legislation before this Subcommittee is commendable, the proposals are too limited scope. We do not find adequate recognition of the emergency human service needs of the unemployed within the public works framework of the bills. Possible ways to meet this need include developing a separate emergency services title, as proposed in Senator Kennedy's bill, and providing supplemental employment for key federal social services programs such as Title XX.

In addition we must develop longer range strategies for improving the mobility and quality of the American labor force. Greatly expanded funding of the displaced worker program and waiving the 50 percent state matching requirement are two suggestions we have. Other ways are expanded employment and training opportunities for young people and an upgrading and retraining program for employed workers.

Initiatives such as these will help American workers adapt to the major technological changes occurring in the American economy. They are vital in the long run. AFSCME urges you to expand the job creating bills before this Subcommittee in the direction of a more comprehensive package of short and long term strategies. We can think of no more necessary endeavor at this moment than providing emergency aid to the unemployed, skill development and relocation assistance for young and adult workers, and meaningful jobs that generate tax dollars, produce useful work and stimulate local economies.

Mr. **Hawkins**. Thank you, Ms. Ridings.

First of all, may I strongly indicate that the recommendations that you have made are certainly fair and equitable. I cannot, as chairman of this committee, disagree with any of them.

I would ask in that connection whether or not some of the provisions are already contained in H.R. 1036—I am assuming that you are familiar with the act.

Ms. **Ridings**. Yes, Mr. Chairman. We do look forward to working with you on that.

Mr. **Hawkins**. I call attention to two provisions in particular—one, section 9(a), which does indicate that:

> No person shall be excluded from participation in, denied the benefits of, subjected to discrimination under, or denied employment in the administration of or in connection with any program under this Act because of race, color, religion, sex, national origin, age, handicap, or political affiliation or belief.

Again, in section 10 of the act, page 19, another provision states that:

> All individuals employed in subsidized jobs shall be provided benefits and working conditions at the same level and to the same extent as other employees working a similar length of time and doing the same type of work.

Those two provisions, in particular, seem to correspond with at least two of the recommendations that you have made. Are you suggesting that those two particular provisions and others be strengthened, or are you familiar with those provisions and consider then adequate?

Ms. **Ridings**. I am familiar with those, and I will ask them to respond to them.

First, I would like to add that I underscored, at least verbally, if not in my written testimony, when I spoke of "and must be enforced." We have indeed seen a very poor record of enforcement legislation with similar intent, and that has been a real, real problem.

But I would like to ask if anyone at the table would have a specific reaction to that.

Mr. **Hawkins**. In other words, what I am really asking is, Are there certain provisions in the current proposal that you believe should be strengthened and, if so, in what way? In some regards, we thought we had already responded to some of the recommendations that you had made.

Ms. **Ridings**. Indeed so. Of course, we do know that you are going to be considering a number of pieces of legislation, so we were speaking to the overall concept of job creation legislation.

Mr. **Hawkins**. We will certainly attempt to get the same provisions or similar provisions in anything recommended by this subcommittee.

Ms. **Meiklejohn**. Speaking in terms of the provision on page 19, Congressman Hawkins, I think that that is quite adequate and consistent with our statement about equal treatment on the job.

In terms of affirmative action or nondiscrimination, I think Ms. Gregory would probably like to respond to that.

Ms. **Gregory**. We do feel that the nondiscrimination language that is contained in section 9(a) only goes half the step. What we have seen in terms of public service jobs, particularly in the highway construction industry and in the Southeast with respect to our own community employment programs is that, without strong affirmative action language which mandates affirmative hiring, affirmative recruitment and affirmative retention of women, that women cannot get an equal share of the jobs.

Mr. HAWKINS. That, I think, gets us into enforcement of existing laws, over which this committee has some jurisdiction, and it is the intent of the Chairman of the subcommittee to conduct a series of hearings on EEO enforcement. I would certainly see that the witnesses before us today would be invited to testify. A large amount of laws are already in the statutes which are not being enforced. We clearly recognize that. That is a matter of the Department of Justice, the Office of Federal Contract Compliance, and the Equal Employment Opportunity Commission. So we will explore the issue of effective EEO enforcement at future EEO oversight hearings.

But as to any legislation, we wanted to make sure that we have an input from those who are directly affected, and obviously, the same concern will be expressed with regard to any legislation that this committee has pending in terms of seeing that the same provisions are included, and the other proposals as well.

I have one other question. With respect to the activities that you have suggested this morning which more or less relate to social service type jobs as opposed to construction and manufacturing jobs, one of the difficulties we have with pending legislation—not only H.R. 1036, but we have had the same difficulties with the other programs that you mention that have gone through both Houses, and others which will obviously be addressed at this session—is the opposition to all service-type jobs. A label of public service employment automatically is attached to the type of jobs and to the activities that you are specifically recommending.

I must confess that this is a strong objection which is expressed, I would say sometimes by so-called liberals, as well as the conventional conservatives. I hate to use those terms, but I think you understand the manner in which I am using them. And it is a very difficult load to carry in any proposal advocating the type of jobs that you are talking about. Yet, there are some of us clearly committed to them.

I am just wondering what do we do? We are almost getting into a political discussion. I don't know if we just sometimes throw up our hands because, the very minute we insert service-type jobs in any proposal, we run the risk of being hooted out, as it were, of credibility, of advocating the very things that you are suggesting as being very simply and, it seems to me, very basic.

I wonder if you have any suggestions as to how we respond to this criticism, or at least to this opposition? Not that we are going to roll over and not do it, but I want you to understand that it is a load that we carry.

Ms. RIDINGS. Sir, we would like to help you out of that load.

I think Ms. Palast would like to respond.

Ms. PALAST. Congressman Hawkins, all of us who are left in this room have been working on this issue for quite some time. I think the interesting thing that we discovered in this coalition during the jobs bill is that, one, it is almost as if the time is right for the old and the good ideas to come back and take the priority they should.

In the name of women's jobs, which is seen as a new constituency, we have been able to sell things such as day care and health care that people were laughing at a year ago. You, yourself, know that Mr. Quayle almost died last year at the notion of creating a job, and this year, he, himself, is proposing the creation of jobs.

I think that we—when people say these are leaf-raking jobs or make-work jobs, we can come back and say,

> Well, is day care really a make-work job? Haven't we gotten to the point where we know that women have to work, and in order for women and men to work, someone has to take care of their children? That we have a society which has more and more elderly people who need care, that the notion of providing health care, home health care, or services to the elderly is no longer something to be laughed or called leaf-raking, but is part of—as all of the groups here have said—part of the necessary human infrastructure that we need to rebuild, as well as our building of sewers, et cetera?

I think that, although it is in a sense the same good old idea that we have always had and shared, that we have a new way to make those ideas more relevant to politics in this particular period.

Mr. HAWKINS. I certainly feel encouraged. Last year, when we had the Job Training Partnership Act, even I accepted some compromises I didn't like, and we had to strike out some of the provisions that you are advocating this year, because we felt that we had to do so. We were threatened with a veto.

I don't think we should do that again. But, at the same time, I also recognize that we have a tremendous battle in not doing it. So I just want to pass that on to you as well.

Mr. Bartlett.

Mr. BARTLETT. Thank you, Mr. Chairman.

To follow up on the discussion of public service jobs—and perhaps if we came up with another name, that would assist in the debate. The fact is, the provision of child care or workers for child care has a magnified impact in the job market. Not only does it provide the single job for the single person who is a subsidized worker—which is not the goal in itself, but more importantly it allows for that one plus seven other mothers, or whatever the ratio is—seven other mothers or fathers—to have a job in the private sector, which adds to the economy which then hires other people.

I really commend the group and the study, as much as anything else for your emphasis on those things that we can do in the economy that are related to but not the major focus of many of the so-called jobs bills, such as the provision of child care—you didn't touch on it, but the provision of good transportation to and from jobs. You didn't touch on it, but sometimes basic education in our public schools will go a lot further to providing jobs and to helping unemployed women, as well as men, be employed. It could go as far or further than any jobs bill that this Congress can come up with.

I commend you on that emphasis, and particularly on child care.

It is not in your testimony, but I wonder if the league or any of your groups have looked at the new phenomenon of employer-provided child care, which seems to me to be a major leap forward. Are there places in Federal law that need to be changed to encourage additional employer-provided child care as an employee benefit?

Ms. RIDINGS. There are some good examples where indeed employer-provided child care has made a significant mark. Unfortunately, there are so few that you find them in PBS documentary films written about in magazines, and they do tend to cluster a lot around the hospitals, which has a long history of doing that as a matter of fact.

In the private sector of large corporations, there are some outstanding examples of it, but it is extremely rare still. It is extremely spotty to find that. There are a lot of difficulties associated with establishing employer-run child care centers, some with very real reasons behind it and some that are problems of perception.

We have not conducted an in-depth study at the league about this particular problem. Does anyone have any other information about that? But such studies have been done and we could certainly provide them for you. I do know they exist, but I cannot be totally conversant on them right now. But we certainly can provide you with that.

Mr. BARTLETT. I am not proposing employer-provided child care as a panacea. It is just one more tool which allows people to work. I commend you for the emphasis that you placed on it.

I have a whole series of additional questions which I think can wait. But there are a lot of things that can be done to allow opportunity for women to come more fully into the job market. The society in the labor force has changed in the last 10 years.

I suppose that, as a Republican, you hold up Newsweek and say that Newsweek hasn't quite perceived the real world, and that sometimes Newsweek doesn't perceive the real world of the Republican Party either. So we have a lot in common.

I have six new employer-provided child care centers in Dallas, Tex., alone that have been started in the last 24 months. Perhaps, Mr. Chairman, sometime when you are in that area, we might have a little hearing and hear about how those can be moved from being examples into being bona fide providers on a large scale.

Ms. RIDINGS. I don't think you are suggesting this, but I would caution that we must not place all our hopes in employer-operated child care centers for so many obvious reasons. One being, for example, when you are talking about single heads of households or where in a case where this entitles a woman to work, you will find the women in occupations are not working for those large corporations often. They are domestic workers or they are working for one single employer or a small company or, in some circumstances, where there is not a possibility of a large corporation sponsoring a child care program.

Mr. BARTLETT. I concur. Nor should we place all of our hopes for child care onto increased funding by either a jobs program or by title XX. There are sufficient resources in the private sector to provide adequate child care if we can find ways to provide the incentive and the resources for it.

There is not sufficient money to provide the totality of child care in this country by taxing it at the Federal level and then disbursing it. That is an inefficient way of financing child care.

What the Federal Government can do is to help provide those incentives. And then to, in the difficult cases, in the cases in which the Federal Government can provide a bridge, such as using part of the jobs bill to provide some extra workers in the child care centers and to train workers, that is the kind of bridge and the leverage that I think is a legitimate purpose for this committee to pursue.

I would just hate for us to look to either of those alternatives as the one answer that is going to lead us out of the wilderness, because I don't think it will.

Ms. MEIKLEJOHN. Mr. Bartlett, if I may follow up just for a minute, I am with the American Federation of State, County & Municipal Employees. We have put out a technical assistant pamphlet for our own locals giving them some guidance on how to negotiate child care with their employers for their members.

It is not an easy thing to get going. There are obviously economic costs associated with putting a child care center into operation. If you are in a situation where you are negotiating for basic wages and benefits, sometimes it becomes difficult to accomplish all you might want. We are in the process right now of exploring the establishment of a child care center in New Jersey in one of our nursing home locals.

But I just want to emphasize that when you ask about the Federal Government's role, I think the cuts in title XX over the last 2 years have had a very negative impact on what federally supported child care there has been. We have been trying as a group, with, I think, some measure of success in this last jobs appropriation, to get some restoration of those funds. And we expect that there will be some additional title XX money, about 30 percent of which I think goes to child care.

Mr. BARTLETT. The important thing that we all need to keep in mind—and perhaps we spent too much time on employer-provided child care because it is only one part of it—is that if you take that bundle of incentives, child care and transportation and opportunities of education, and training tied to placement, and you made sure that that increases the availability of women to move into jobs that are permanent jobs, I think that ought to be the goal of this legislation. And I am really excited to have your testimony on that.

I do have one very quick factual question. It is a question that was raised by your written testimony. I share your concern with regard to RIF, reductions in force, at the Federal level. I have a very serious concern—and you stated it—that the RIF's that have occurred have unduly and disproportionately discriminated against and caused an undue proportion of layoffs with women and minorities. I think that that is correct. There is no way to hide that statistic, nor would we want to. I think that those RIF's have been based, as I understand it, exclusively on seniority and, hence, the result. The RIF's weren't based on women and minorities, they were based on seniority, but the result is the same.

My question is how would you change the civil service rules to base RIF's on something other than seniority?

Ms. PALAST. I think that all of us would agree that, consistent with the Humphrey-Hawkins bill, et cetera, the answer to all of this is a full-employment economy. The last thing we want to do as an organization representing the interests of women who are at the bottom of the scale is get in a fight over the smaller pie and who should be fighting over one job versus another.

I think that there have been discussions about how you create systemwide seniority so that people who have worked long in a job get full credit for the job that they have had, so that the person who was moved from one place to another wouldn't suffer for that. I think that, in the long run, what we are trying to do is make sure that there are jobs available for everyone.

I think that when we talk about who is being laid off, we are saying that when you come up with a jobs bill, you will have to concentrate on those people who are being laid off so that they get first crack at the new jobs that are created. Those jobs really do meet the technical and personal needs of those people. That is why we are interested in service jobs and lower skill jobs.

But I do not believe that, as a group, we want to get into a discussion about how to pit one set of workers against another.

Ms. RIDINGS. I have just been reminded by competent staff—which I hope is a situation that you are very familiar with, too—that not all Federal Government RIF's, as a matter of fact, have been based on seniority, that there have been other factors that have been raised, and that there are a number of pending suits regarding the fact that they were not based on seniority but were in fact based on other factors.

If you want more information on that, we would be glad to talk to you about this.

Mr. BARTLETT. I would like that.

It still doesn't resolve for us the essential question as to whether do you use seniority or something else, but I would like to have that additional information.

Mr. BARTLETT. Thank you, Mr. Chairman.

Mr. HAWKINS. This morning, I think you were present when Mr. Fay testified—and I did not examine him any more thoroughly than I thought was necessary—there was a strong inference that, in the construction industry, for example, which we know has been historically biased against women, that there would be a tremendous number of jobs created as a result of the multiplier effect, that the primary impact of aiding the construction industry, that while not a great number of women would not be involved, there would be others that may eventually get employed. That seems to be another application of the trickle-down theory, that if you are patient, there would be some jobs created.

I was wondering what is your reaction to that approach. It seems to deal with women and minorities, youth, and others, in the secondary round, and sometimes not even in that particular round, as opposed to facing up to the fact that some of these industries have historically just excluded women openly. There seems to be no attempt to engage in any affirmative action to overcome this historical development.

It worried me a little bit in his testimony. I wonder whether or not you had the same reaction of some reaction to that.

Ms. GREGORY. It worried us a little bit, too.

Mr. Chairman, I believe you are familiar with Wider Opportunities for Women.

Mr. HAWKINS. Yes; I am.

Ms. GREGORY. We have a network of 140 community-based women's employment programs. In the last year, we were involved in training 35,000 women. Nearly half of those women were being trained in the skilled construction trades. During the last year, we ran a monitoring project in five regional areas to determine whether or not women were available and what was the cause of women not being able to move into the construction trades. We clearly found that the areas that we targeted where there was money available for construction work, where there was Government contracts so that jobs were available, there were needs for workers, and where there were programs that were producing trained women, we found that women were not being hired at a comparable rate as men.

We could only conclude that it was a lack of enforcement of affirmative action laws that were on the books and an unwillingness of many contactors and employers to accept women as workers. There was also the problem of sexual harassment on the job. There were many factors that precluded women from moving into the construction trade. But it was certainly not lack of availability or lack of interest.

Ms. RIDINGS. I would add, too, that there are other very revealing studies, I believe, that were done with women who were applying for apprenticeship training programs. There were control groups, for example, where there were different sets of booklets given to women who were coming in to consider apprenticeship training programs of various construction trades. The control group had a book of instructions and pictures that simply told them they don't really want to do this. The other book would have illustrations and text that would say, "Hey, these are good paying jobs and this is something that you ought to seriously consider."

The differences between the women who expressed interest in going to apprenticeship training programs for particular trades between those two groups was just beyond statistical error. As a matter of fact, they found that most of the materials that, up to a certain point, had been used in seeking out women to enter apprenticeship programs in the heavy construction trades were more on the side of the materials that said you really don't want to do this, you might think you do, but you really don't.

Again, there are a lot of factors that you consider. So certainly women become discouraged before they even have the opportunity to get into an apprenticeship training program or be eligible for that construction job.

Mr. BARTLETT. If the chairman would yield, to follow up on that, I want to be clear as to what you are saying You would advocate an extension of affirmative action with regard to women in the building trades' labor unions?

Ms. RIDINGS. Yes. I was really responding to what I considered perhaps a factual response from an earlier witness who said that the women just weren't there to take up the jobs. We were trying to respond, first of all, that that is not correct.

Mr. BARTLETT. I concur with you.

You would then increase the enforcement, or change the law to include affirmative action for building trade unions.

Mr. HAWKINS. That is already in effect.

Ms. RIDINGS. The law is fine. The enforcement is not so good.

Ms. **Palast**. The law affects employers and the unions. It is not exclusively addressing the employer.

Mr. **Bartlett**. So you would increase the enforcedment?

Ms. **Ridings**. In fact, in this program that I was talking about, quite frankly, the problems stem from both the construction trades themselves, the associations, and in some cases from the labor unions that were sponsoring those apprenticeship training programs. So it was an across-the-board problem and not one that we can lay at the foot of one group.

Mr. **Bartlett**. Thank you.

Mr. **Hawkins**. I believe we are discussing really enforcement basically.

I have no further questions. I would simply suggest that you and your staff keep in touch with our staff and we will try to work out some accommodation to some of the other recommendations that you made that may not be as clearly stated in the provisions that we have already structured in the bill and other bills that will be in this committee. We will be very glad to work with you. I certainly know that you will continue to work with the committee as you have in the past.

Again, I express the appreciation of the committee for your testimony.

Ms. **Ridings**. Thank you, Mr. Chairman. We certainly will be delighted to take you up on the invitation to work very closely with you.

Mr. **Hawkins**. Thank you.

The next and final witness this morning is Mr. Arnold Sherman, executive director, Camp Fire, Inc. Mr. Sherman is from Kansas City, Mo.

Mr. Sherman we certainly apologize for the great delay, and are certainly appreciative of your patience in staying with us.

At this time, we will have your testimony in its entirety included in the record, and you may proceed to give us the highlights or summary from it.

STATEMENT OF ARNOLD SHERMAN, EXECUTIVE DIRECTOR, CAMP FIRE, INC., KANSAS CITY, MO., REPRESENTING THE NATIONAL COLLABORATION OF YOUTH

Mr. **Sherman**. Thank you, Mr. Chairman.

I am Arnold Sherman, the national executive director of Camp Fire. Today is Camp Fire's 73d birthday, and I can think of no more appropriate and relevant way to celebrate that birthday than to appear before the committee and speak about probably the most pressing domestic issue facing our society in general, and certainly our young people specifically.

However, today I am speaking on behalf of the National Collaboration for Youth. Collaboration is composed of 12 national youth-serving organizations serving a total of more than 25 million young people under the age of 19, which is one-third of our total child and youth population. The Collaboration, through its member agencies, represent over 3 million volunteers and have an average experience of 71 years working with young people. Collaboration includes Big Brothers/Big Sisters, Boy Scouts, Boys Clubs, Camp Fire, Future Homemakers of America, Girl Scouts, Girls Clubs, YMCA, YWCA, National Network and United Neighborhood Centers of America.

Our member agencies deliver services in the education area, health area, vocational education, employment and training, family life and social services. They also have a long and unyielding commitment to advocacy on behalf of young people, and it is in that role that I appear before you today.

The Collaboration urges that, in any job creation legislation, young people and their needs be equitably addressed; that services which encourage the linkage between education and employment are included; that funds for support services are appropriated; and that community-based organizations in general are included as potential employers.

Youth unemployment stands, as you know, Mr. Chairman, at close to 25 percent in general, and for minority youth, in excess of 50 percent. Youth unemployment has been increasing at twice the rate of adult unemployment in general, and for minority youth at 3.5 times as fast. Cutbacks in CETA programs have accounted for one-fourth of the total decline of employment for minority teenagers. Even by the administration's own projection, unemployment will remain above 10 percent through this year and into 1984.

Youth will continue to find it increasingly difficult to transition from school to work. We are extending dependency, we are extending the number of years that a young person is going through adolescence without securing meaningful career opportunities 5 to 6 years, and that can result in alienation and loss of faith and discouragement for young people.

Looking at any jobs creation legislation, we have targeted a few points that we feel are critical to its successful implementation, particularly as it relates to our young work force.

One, we believe that young people need to be targeted. I think that among the six or seven bills that are currently under consideration for this committee, there is no bill that specifically targets young people for service.

We are concerned about linking employment and education. All experience has shown that when employment and education have been linked in previous Federal and public programs, the increased postemployment earnings have been pronounced for the participants.

We are committed to seeing support services included in the legislation so that we would have in part-time employment more training opportunities, placement at not-for-profit worksites, as well as private for-profit worksites. We certainly encourage full-time employment during summer months for young people.

We look at community-based youth agencies and National Collaboration members specifically as organizations that could provide necessary employment opportunities and should be included for a variety of reasons. One, we have an extensive outreach and recruiting network that we rely heavily, as I mentioned earlier, on volunteers, which gives us an extremely cost effective approach to integrating new workers and unemployed workers into the work force.

We have engaged historically in a mainstream approach which has particularly been successful with low-income and disadvantaged youth who lack exposure to traditional socializing mechanisms. We have work sites in local communities and programs that, again, over the years, have served special needs youth and have target populations that have been a priority of this committee and of Congress in general.

We have been able in the past, when involved in public programs, to develop opportunities to test innovative, new, exciting, more high-risk approaches to providing employment opportunities and training experiences. It provides an opportunity, I think, for citizens to express concern with the grassroots organizations that are instrumental to the fabric of the community.

The National Collaboration for Youth member agencies can provide thousands of jobs based on solid, positive experience, immediately. Included in the written testimony are numerous examples of past successful experiences of our members in successfully providing employment experiences, as well as successful postprogram transition into the private work force.

Our agencies, as well as many other agencies, have suffered from inflation, budget cuts, and recession. It is hard to initiate new programs, particularly now when services and demands on services have dramatically increased and availability of services have been curtailed.

We are involved in an increasingly complex and difficult competition for charitable dollars. That situation has pit worthy populations against each other in trying to squeeze more pieces out of a pie that continues to shrink.

I think that there are a variety of benefits of employing and using community-based agencies as employment sites. From an employee viewpoint, it certainly provides young people with an opportunity for temporary income, it is useful in training and providing the support and work environment in the emerging human services field. The field is growing and expanding. The demands placed on human service agencies have been increasing, and it provides a unique opportunity to serve in a meaningful way and also serve the community.

It is also from our agencies' viewpoint a flexible environment that responds to community needs and are highly articulated community needs. It ties us into, again, voluntary resources, and it provides seed money to expand or start new services. I think that, from a community viewpoint, it ends up providing more service to the client. From the Federal Government's viewpoint, it would increase the availability of resources to lower employment and, I think, maximize investment and wise use of Federal resources.

The Collaboration stands ready to provide youth employment program opportunities for youth, to assist the committee in its deliberations, and press for inclusion of youth in any bill that is enacted in Congress.

I would be happy to answer any questions.

[The prepared statement of Arnold Sherman follows:]

PREPARED STATEMENT OF ARNOLD E. SHERMAN

Mr. Chairman and members of the Subcommittee:

My name is Arnold Sherman and I am national executive director of Camp Fire, Inc. However, I am here today speaking on behalf of the National Collaboration for Youth.

First, I want to thank the Chairman and the members of this subcommittee for the opportunity to present the views and concerns of the National Collaboration for Youth on the important subject of youth employment.

The National Collaboration for Youth is composed of 12 national voluntary youth-serving organizations. Collaboration agencies supporting this testimony are: Big Brothers/Big Sisters of America; Boys Scouts of America; Boys Clubs of America; Camp Fire, Inc.; Future Homemakers of America; Girls Clubs of America, Inc.; Girl Scouts of the USA; National Board, YWCA of the USA; National Network of Runaway and Youth Services; United Neighborhood Centers of America, Inc.; and YMCA of the USA.

The National Collaboration for Youth serves a total of 25 million young people under the age of 19, one third of the total youth population of that age. Together, our agencies work with 3 million volunteers. On the average, these agencies represent an expertise in youth matters reflective of 71 years of experience in youth work.

Our member organizations address the needs of youth in many areas: vocational, employment, educational, health and family life. The Collaboration also serves as an advocate for policies and programs to enhance the quality of life for youth. It is in that role that I appear here before you today.

The National Collaboration for Youth urges the Employment Opportunities Subcommittee of the House Education and Labor Committee to include the following points in any jobs creation legislation:

1) Youth needs must be addressed equitably;
2) Services should be provided that encourage the linkage between education and employment;
3) Funds should be provided for support services; and,
4) Community-based youth-serving agencies should be considered as potential employers.

Background

The situation we face today is far worse than anytime since the Great Depression, particularly for youth and young adults. Currently, youth unemployment stands at 22.2 percent, with black teenage unemployment hovering around 50 percent. This cruel situation appears to be worsening.

-- In the 1960s and 1970s, teenage unemployment rose 1.5 percent for every one percent rise in total unemployment. In the last four years, however, the teenage rate went up 1.8 percentage points for each one percent rise in the total rate.

-- Black teenagers traditionally experience a 3.0 percent unemployment increase for each one percentage point rise in total unemployment. Since 1978, their rate has risen 3.3 percentage points for each one percentage point increase in total unemployment.

Comparing annual average employment in 1979 and 1981, the cutbacks in CETA youth jobs accounted for one fourth of the decline of employment for black teenagers.

By the administration's own projections, unemployment will remain above 10 percent through this year and into 1984. Youth will therefore find it increasingly more difficult to make the transition from school to work.

Major Points

I. Targeting Youth Needs

As this Subcommittee addresses jobs creation legislation, it is essential to target the needs of youth.

The National Collaboration for Youth believes that Congress must recognize the severity and complexity of youth unemployment problems and respond accordingly.

Youth should receive a substantial share of any jobs created by the federal government. For youth, the late teens and early twenties are a period of transition into the labor market. Not being able to find a job for five or six years can result in alienation and loss of faith in the system. Positive work experience for youth between the ages of 18 and 24 years would enhance their ability and interest in assuming their role as responsible, tax-paying citizens in the coming decades.

II. Linkages Between Employment and Education

Any jobs legislation should encourage services that link employment and education. When the educational component is included, there have been noticeable increases in post-program employment and earnings, even for drop-out youth.

III. Provision of Support Services

The National Collaboration for Youth believes that the following youth activities should be included in any job creation legislation authorized by Congress:

1) Part-time employment or training, or a combination thereof, during the school year (up to 20 hours per week) on projects operated by community-based organizations such as not-for-profit voluntary youth organizations.
2) Placement for job experience at private for profit, or public and private not-for-profit worksites.
3) Full-time employment during the summer months of up to 40 hours per week for each youth employed.

In addition, it is essential that employment-related and support services are provided. Any legislation that is finally adopted should ensure funds for these services which provide training in activities for job retention, such as good work habits, problem-solving, self-reliance (such as transportation, child care, and housing), and money management.

IV. NCY Organizations as Potential Employers

A program to meet the immediate needs of unemployed youth could be implemented using the program delivery system that will be developed for the Job Training Partnership Act. However, in selecting the deliverers of services under an emergency youth employment program, priority should be given to community-based youth-serving organizations which have demonstrated their effectiveness in providing a broad range of employment, training, and supportive services to youth. Congress should recognize the resources and expertise available through established youth-serving organizations and should enact legislation that will ensure full utilization of these readily available resources.

The programs operated by National Collaboration for Youth organizations seek to serve youth of all backgrounds and address their employability development. NCY voluntary agencies have the capacity to benefit substantially eligible youth:

-- The organizations, by reason of their vast membership, are implicitly an outreach and recruiting mechanism. They serve, and therefore can identify, many youth who could benefit from any legislation and who would not otherwise take advantage of services.

-- Through the use of volunteers, and the broad human resource development focus of most of their programs, NCY agencies can achieve economies in the delivery of services.

-- The "mainstreaming" approach of NCY agencies can be important to low-income youth who lack exposure to traditional socialization mechanisms.

-- Our agencies provide work sites for many persons in population groups targeted by national programs, and are therefore providing an important opportunity to obtain worthwhile employment opportunities.

The needs of our nation today are such that it is imperative that the various sectors of our society learn to work together more effectively. The contributions of the private, voluntary sector are more important than ever.

Our agencies could provide thousands of jobs to meet community needs with little capital expenditure and start-up time. Such jobs could provide human services desperately needed, as well as useful training and employment to those in need of such opportunities. We say this on the basis of solid and positive experience with past federally-funded employment and training programs. To cite a few examples:

-- A young adult female who was blind and had never been employed, was provided her first meaningful employment as a child care assistant trainee in the infant/toddler program of the YWCA of Asheville, NC. As a result of this experience she developed and proved her capability to work in the child care field. She was then hired as a permanent, part-time employee of the YWCA, and has served as a positive example of mainstreaming of the handicapped.

-- The YMCA of Wilmington and New Castle County, Delaware, was allocated 30 public service positions. Following completion of the program, 23 of the workers obtained unsubsidized employment in other organizations and an additional four were hired into professional positions of the YMCA.

-- Girl Scouts of the USA, in an effort to mainstream persons from targeted population groups, has worked in partnership with the Urban League at Girl Scouts' Edith Macy Conference Center in Briarcliff Manor, NY. Among those employed in this program is a displaced homemaker who had been a community worker with disabled students. After a series of personal tragedies, this young woman suffered a breakdown which rendered her unemployable for a period of time. She was employed and retrained as a resource assistant with the responsibility of setting up the library at this Conference Center which serves thousands of girls and adults yearly. As a result of this retraining, she has returned to the work force, and is currently accepting permanent employment as a librarian with the state of New York.

-- United Neighborhood Centers of America operated a summer work program in Philadelphia last year where 300 youth were placed with 150 small businesses. More than 50 percent were retained for after-school employment after the project was over.

-- The Camp Fire council of Birmingham, AL, developed a program to help high school students make decisions regarding their post-school plans. Pre-program tests showed, especially in very low income areas, that they possessed only the most rudimentary knowledge of employability or basic life skills, of what they would like to do, of what they could do to increase their employment potential, or of where jobs could be found. Post-program test scores showed a dramatic increase in knowledge and awareness. 335 youth participated in the employment program; 292 found employment in unsubsidized jobs.

The private, voluntary sector today has suffered from the effects of inflation and increased competition for the charitable dollar as a result of severe budget cuts in federal domestic programs. In these times of budgetary constraints, it is difficult to initiate new programs and services. Yet, the needs of our communities for services have dramatically increased.

We believe our agencies can serve a two-fold function as employers and community educators, with expertise in providing employability skills to young people.

The benefits of employment in human service, not-for-profit youth agencies are four-fold:

1) From the point of view of the employee, such work would provide:

-- useful temporary employment with income, in a supportive work environment.

-- useful training and continuing employment in emergent human services field.

2) From the point of view of our agencies, employment would provide:

-- flexibility to respond to expressed needs of the community.

-- more opportunities to develop and engage community voluntary resources.

-- seed money for staff to start new or expand existing service.

3) From the point of view of society and communities, such a program would provide:

-- more services to clients

-- more opportunities for citizens to express concern and become involved in resolving critical community problems.

-- opportunities for innovative programs and new service delivery models to be tried out.

4) From the point of view of the federal government, the program we propose would:

-- lower unemployment.

-- enable youth to function in the long term as responsible employees and citizens.

On behalf of the National Collaboration for Youth, I want to say we stand ready to provide other successful program models under the Youth Employment Demonstration Act, and to assist the Subcommittee in their deliberations on job creation legislation. However, we stand ready to press for the inclusion of youth within any legislation enacted by Congress.

Mr. HAWKINS. Thank you, Mr. Sherman.

First of all, would you recommend that youth be served in a separate program or that it be a part of any particular jobs proposal that is under consideration?

Mr. SHERMAN. I think we would be supportive of, at the very minimum, a separate title in the best of all possible worlds, certainly a separate program. The youth have a variety of needs that are different, I think, than a fully adult work force. We have a variety of responsibilities, I think, as a society to nurture and develop young people's skills and abilities to be effective and productive members of the work force. I think that some of those needs and concerns get lost if it is just a small part of a larger program.

Mr. HAWKINS. In other words, you are saying that there should be at least some targeting to youth or, otherwise, youth is likely to be left out?

Mr. SHERMAN. Certainly, yes.

Mr. HAWKINS. What link would you advocate there be between jobs and training?

Mr. SHERMAN. I am not sure I understand your question.

Mr. HAWKINS. Would you advocate that in any jobs proposal there should be an element of training involved, and in what way should such linkage be made? Should it be required that, in all instances, the jobs be related to the training——

Mr. SHERMAN. I don't think it should be in all instances. I think we have two issues. One is just education in general and, of course, we have the specific issue of relevant training related to good work habits, to problem solving skills, to self-reliance issues, to money management. There is a whole host of job-general skills that young people need in order to be productive members of the work force. Obviously, there are a set of skills specific training that is necessary.

Mr. HAWKINS. Let us get a little more specific then.

Under the Job Training Partnership Act—I assume you are supportive of that act.

Mr. SHERMAN. Yes.

Mr. HAWKINS. Do you believe there should be some connection or linkage between job creation in H.R. 1036 and the Job Training Partnership Act?

Mr. SHERMAN. I think that, for the most utilitarian benefit of those pieces of legislation, they should be linked. I think that the Job Training Partnership Act certainly doesn't include enough resources to accomplish the job necessary.

Again, it doesn't provide enough incentives, I believe, to encourage local units of government and decisionmakers to insure that young people are effectively integrated in it. Yes, I think they should be linked. Further, I think that in looking at any major employment bill, we need to look at supplementing the support services to stimulate and encourage training opportunities and education opportunities that link to meaningful work.

Mr. HAWKINS. Are you familiar with the provisions contained in the Emergency Assistance Act which is basically a supplemental appropriation act now in the Senate?

Mr. SHERMAN. I am generally familiar with it.

Mr. **Hawkins**. To what extent has youth been served in that proposal?

Mr. **Sherman**. I believe that there has not been a specific targeting of youth in that proposal.

Mr. **Hawkins**. Do you see any particular impact that that proposal will have on youth unemployment?

Mr. **Sherman**. I think, in general, the bill, as I understand it, is more geared toward moving folks who have been on the unemployment roles and are now off of them back into the employment market handling a variety of different responsibilities. I am not so sure that that, in fact, is encouraging young people's integration through that mechanism.

Mr. **Hawkins**. The other youth proposals that are now in operation—specifically such programs as the Job Corps and the summer youth employment program, et cetera—to what extent are these other programs serving youth and how effective are they?

Mr. **Sherman**. I think Job Corps across the board has had a strong track record. As I recall, just in the area of delinquency prevention and crime reduction savings alone, they have estimated that that has recovered 40 percent of the Job Corps' total operating costs. I think that studies have shown that postprogram earnings have substantially increased, and a variety of other factors—crime, delinquency and other issues, as I have alluded to, have decreased. I think that, across the board, it has received high marks.

I think that, just in general terms, the legislation that was enacted in the previous administration that we have a good head start on, the Youth Employment Demonstration Act, had many of the key elements that we would like to see back in place and strongly supported. You were talking about duration of linking employment and training. I think we have to at some point bite the bullet and put a program in place and give it enough time to iron out the kinks and develop an institutional base in the community so that young people feel they have access to meaningful work opportunities.

We are not interested in recreating the wheel. It think that we have in the past come up with elements in many of our public programs that have been very successful. We need to look at those again and put them back in place and give them a chance to work and give the proper support.

I think that, in our case, community-based organizations across the board have had high marks in their ability to provide meaningful work experiences, and I think a high track record of successful transition into nonsubsidized employment. I think that has to be taken into consideration, even in looking at an emergency bill. Emergency is a funny term. It has a political meaning and it has a social meaning. I know when you have an emergency construction project, a bridge is broken down and you have an emergency, you just don't plaster it together then walk away from the bridge. The emergency has a more long term impact, and that has to be taken care of.

In this case, we just can't come in with a program for 6 months or for a year or for 2 years and assume that the problem is going to be solved.

Mr. **Hawkins**. Does the coalition for which you speak for, the National Collaboration for Youth, take any position on the subminimum wage for youth?

Mr. **Sherman**. The Collaboration has not taken a position on that issue yet.

I can speak personally to that issue. There are pros and cons, as you know—and this committee has looked at them in the past and will continue to look at them—changing from the minimum wage for youth to a sub-minimum wage, has, I guess, raised in some people's mind the competition of needy population for scarce resources.

I am not so sure personally that the subminimum wage will produce the product that we are looking for, which is encouragement of employers hiring young people. I think experience has shown that every time the minimum wage has increased, we have had an increase in employment rather than a decrease in employment.

What I would rather see than eliminating a minimum barrier or a minimum gage boilerplate for all employment is to look at other ways to encourage and stimulate employers to take young people through apprenticeship programs, on-the-job-training programs, stipends and scholarships, work placements, other kinds of opportunities to encourage employers to take on young people. I don't think that, for a majority of the business and industries in this country, lowering the wage for young people by 50 cents is going to have a pronounced effect.

In previous jobs that I have held, one agency that I worked with that had a program in suburban Cook County where they would fully subsidize job slots for young people and the employee didn't have to pay anything, there was a great resistance to taking young people into industry. That is because there wasn't a variety of support services that were also available. There wasn't a proper linkage between their training and employment skills and placement on the job. Even with having a free body on the job, there was great reluctance.

Again, speaking personally, I am not so sure that cutting the wage by 50 percent or 25 percent is going to give us an increased incentive to hire young people across-the-board. I think maybe in a few limited industries, they may in fact do that.

Mr. **Hawkins**. Thank you.

Mr. Barlett.

Mr. **Bartlett**. Thank you.

I very much appreciate your testimony. I read your written testimony up here. I apologize for having to leave for part of it.

As you know, the targeted jobs tax credit goes into effect this summer. Are your organizations in any way communicating the availability of those tax credits for summer youth employment?

Mr. **Sherman**. I can't speak for them all, but I think that, in general, from what I have seen, yes, they have been notifying and doing what they can for their networks to make employers aware that those positions are available.

Mr. **Bartlett**. Do you have any feelings as to whether that will be successful in terms—you just testified you are not certain whether, even when the subsidy was 100 percent, that had any advantage.

Mr. **SHERMAN**. I can just speak from one personal experience in Chicago with my previous agency—this is just a few months ago—where we did a massive attempt at a summer jobs programs and an entry level jobs program in contacting employers. We did thousands and thousands of business phone contacts. We ultimately ended up with 2,000 summer job pledges and about half of those were entry level pledges.

But in making employer aware of the targeted jobs tax credit option, their initial reaction was, "I don't want to fool around with any Federal papers and forms. It is too complicated. I dealt with CETA programs that didn't work out for me." It was very difficult, at least on that kind of approach, without real extensive outreach to get many employers psyched up about that provision.

Mr. **BARTLETT**. You have a provision in your paper which calls for the use of public service workers in your agencies. That is adult workers I suppose.

Mr. **SHERMAN**. Adult and youth workers.

Mr. **BARTLETT**. Adult and youth workers. Both for adult and youth workers, you have testified you believe that for teenagers, there ought to be a strong educational component.

Mr. **SHERMAN**. Yes.

Mr. **BARTLETT** Does that require the teenager being subsidized during the educational component or just during the job component?

Mr. **SHERMAN**. I think there is a variety of different models. In some instances, you can have young people placed in work experience and, at the same time, receiving educational and training support.

I think, realistically, taking a look at the number of adolescent heads of families and the number of families where both parents of families are not working, it is very difficult, particularly with targeted populations, to expect them to attend training programs without some kind of fiscal incentive while they are participating.

Mr. **BARTLETT**. In your experience based on CETA and other groups, what percentage of placement in permanent jobs could we expect from that type of a program?

Mr. **SHERMAN**. It would be hard to generalize. In my personal experience—and there is some listed in the written testimony—that in programs that were, I think, properly subsidized, had a decent duration of funding so that they knew the program wasn't going to be shut down in 6 months and they could do some planning and development of the program, I think that the transition to private unsubsidized jobs was quite high.

We had one program that Camp Fire operated in Birmingham, Ala., and over 90 percent of 300-plus young people who were transferred into private jobs.

But I think we have to look at it in the context of having the kinds of other services that are hooked in to assist the populations in making those transitions. They are difficult transitions.

Mr. **BARTLETT**. What would be the minimum placement level that you would regard as a successful program?

Mr. **SHERMAN**. That I would personally regard? I can't speak for the collaboration.

I would certainly think that taking into consideration no drastic changes in the economy. There are external factors that we have no control over. Given the market that we are currently involved in, I think that with the proper support, you would have to look at 50 percent transition.

Mr. BARTLETT. As the minimum?

Mr. SHERMAN. Yes.

Mr. BARTLETT. Thank you.

Thank you, Mr. Chairman.

Mr. HAWKINS. I would like to follow up on that. That would depend rather substantially on the outside labor market and ecomomic conditions, wouldn't it?

Mr. SHERMAN. Yes.

Mr. HAWKINS. There are very few programs that have been successful if you have an economy that is laying off individuals. It would be almost unreasonable to expect that any type of training or any type of a jobs program would be placing individuals at a time when——

Mr. SHERMAN. Absolutely.

Mr. HAWKINS. It seems to me that it would be very unreasonable and that is what we have tried to insist upon. I recall back in the 1970's,--1970 and 1971,—when we turned the money over to the so-called jobs program, jobs in the private sector, that the placement rate was very bad. As a matter of fact, the program was a real flop, if I may say so. This was a private sector operation, highly subsidized.

But I don't think you could draw the conclusion that it failed because the private sector failed, any more than CETA failed if jobs were not available. So it just seems to me that this test has to be directly related to economic policies and economic conditions at any particular time.

Mr. SHERMAN. I certainly agree. In communities like Birmingham and Gary, Ind., and Peoria, and you can go on and on. Detroit, at this particular point in time, no matter how subsidized a program was, you are not going to be able to have anything that the public would generally consider a success rate.

I think the other issue is that, as you are very much aware, particularly with young people, the period of older adolescence is a time of exploration and testing and trying things out. I don't think anybody sitting in this room who is an adult is in the same particular job they were in when they were 17 or 18 years old. What we are looking at in terms of nurturing a work force is looking at developing good work habits and employability skills and problem-solving and a host of other things that are related to a future of satisfactory work.

If you couple on top of it, as you just mentioned, the economic condition that we are in, successful private full-time placement is not a very realistic criterion at this particular point.

Again, given the best of all possible conditions and given a more vibrant work force and given what is generally accepted as close to full employment, non-recessional full employment, as we can maintain, I think you can look at programs—if you set a standard across the board that you want to programs to comply with—again, I personally think 50 percent of the people that are going in, receiving and getting involved in unsubsidized employment for any duration afterward, is a success.

That doesn't mean necessarily immediately the day after. That means within a reasonable period of time that one would expect, given the economic set we are involved in at the time.

Mr. HAWKINS. Mr. Bartlett, do you have anything further?

Mr. BARTLETT. I have no more questions, Mr. Chairman.

Mr. HAWKINS. I have no further questions.

Thank you again, Mr. Sherman.

That concludes the hearing.

[Whereupon, at 12:55 p.m., the subcommittee was adjourned.]